FINANCIAL TIMES

Kessler's FDA
Scourge of the tobacco industry
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Comdex
Why not make it a 'virtual' show?
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Emu, a Fed view
Labour mobility vital to US monetary union
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World Business Newspaper http://www.FT.com WEDNESDAY NOVEMBER 27 1996

Budget to put UK within criteria for Maastricht

Britain joined the list of countries promising to achieve the Maastricht criteria in 1997 with a Budget which made small cuts in planned government spending and income tax. Chancellor of the exchequer Kenneth Clarke said the UK's government deficit next year would "by happy coincidence" be lower than the Maastricht threshold of 3 per cent. Reports, Pages 7 and 8; Lex, Page 12

Anglo defends purchase of Lonrho stake:

Julian Ogilvie Thompson (left), chairman of Anglo American Corporation of South Africa, fended off criticism of the company's purchase of a 26 per cent stake in conglomerate Lonrho as he unveiled strong interim results. Headline earnings, which exclude exceptional gains and losses and surpluses on disposal of investments, increased by 22 per cent to R2.443bn ($580m), well ahead of forecasts. Page 13

Pearson pays $336m for US publisher: Media and entertainment group Pearson extended its international publishing interests by paying $336m for Putnam Berkley, a publisher of best-selling authors in the US. Page 13

Iraqi oil exports set to resume: Resumption of Iraqi oil exports under the oil-for-food deal agreed with the United Nations is likely to begin in January, western diplomats said. Page 4

GM's claim against VW allowed: A Detroit judge turned down a plea from German carmaker Volkswagen to dismiss racketeering claims against it by US car maker General Motors. The decision opens VW to potentially higher damages claims in GM's civil lawsuit.

France plans further Bull sell-off: The French government said it plans to sell at least another 5 per cent of computer maker Groupe Bull, which would reduce its stake to below 50 per cent.

Germany to allow share buy-backs: German companies should be able to buy back up to 10 per cent of their shares from 1998 under government plans. Page 2

Moscow gives exchange rate pledge: Russia announced the extension of the rouble's sliding peg exchange rate until the end of 1997. Ministers said the move demonstrated the stability of the economy. Page 2

Fourth quarter results lift Disney: US entertainment group Walt Disney reported full-year net profits 18 per cent ahead at $1.5bn, helped by fourth quarter improvements from films, theme parks and broadcasting. Page 18

US-Japanese insurance talks fail: US and Japanese trade officials wound up talks after failing to settle their dispute over foreign access to Japan's $380bn insurance market. Page 4

Danish exchange seeks amalgamation: The Danish stock exchange said it was interested in forming a common Nordic bourse with Stockholm, Helsinki and Oslo in an attempt to meet the challenge of stock market integration in Europe. Page 13

South Korea set to join OECD: The South Korean parliament approved Seoul's membership of the Organisation for Economic Co-operation and Development, removing the last hurdle to joining the club of advanced industrial nations. Page 5

Ulster ceasefire hopes fade: Hopes of a new IRA ceasefire faded after Sinn Féin president Gerry Adams claimed the British government was poised to reject his party's terms for admission to talks on Northern Ireland. Investment 'set to fall', Page 6

Jardine Fleming withdraws nominee: Hong Kong-based investment bank Jardine Fleming withdrew its nominee for its first member of the Karachi Stock Exchange after an accusation that the man had submitted a forged document. Page 12

100 officials face Miti inquiry: Japan's Ministry of International Trade and Industry launched an inquiry into the activities of 100 senior officials in an attempt to clear up allegations of corruption. Page 5

■ STOCK MARKET INDICES		
New York lunchtime		
Dow Jones Ind Av	6,525.80	(-21.99)
NASDAQ Composite	1,274.12	(-6.25)
Europe and Far East		
CAC40	2,275.08	(-2.06)
DAX	2,810.64	(+11.45)
FTSE 100	4,068.4	(+13.8)
Nikkei	21,418.25	(+124.68)

■ US LUNCHTIME RATES	
Federal Funds	5¼%
3-mth Treas Bills: Yld	5.144%
Long Bond	101⅛
Yield	6.412%

■ OTHER RATES		
UK: 3-mo Interbank	6⅝%	(6⅝%)
UK: 10 yr Gilt	100⅞	(100½)
France: 10 yr OAT	105.20	(105.04)
Germany: 10 yr Bund	103.22	(103.11)
Japan: 10 yr JGB	103.1666	(102.680)

■ NORTH SEA OIL (Argus)		
Brent Dated	$ 22.77	(22.88)

■ GOLD		
New York Comex		
(Dec)	$374.5	(374.5)
London:		
close	$374.6	(375.0)

■ DOLLAR		
New York: lunchtime		
£	1.672	
DM	1.52575	
FFr	5.17165	
SFr	1.292	
Y	112.535	
London:		
£	1.6727	(1.6725)
DM	1.5276	(1.5192)
FFr	5.1828	(5.1423)
SFr	1.2938	(1.2828)
Y	112.725	(112.5)
Tokyo close:	Y 112.5	

■ STERLING		
DM	2.5551	(2.5412)

Albania	LEK 275	Gibraltar	£0.75	Lithuania	Lts 18.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR13
Bahrain	Din1.300	Hong Kong	HK$20	Malta	Lm0.70	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft270	Morocco	MDh18	Slovak Rp	SK75
Cyprus	C£1.30	Iceland	IKr260	Neth	Fl 4.75	S. Africa	R12.00
Czech Rp	Kc70	India	Rs75	Nigeria	Naira125	Spain	Pta250
Denmark	DKr20	Israel	Shk9.00	Norway	NKr22.00	Sweden	SKr20
Egypt	E£5.00	Italy	L3200	Oman	OR1.75	Switz	SFr3.70
Estonia	EKr 28	Japan	Y500	Pakistan	Rs50	Syria	S£80.00
Finland	FM18.00	Jordan	JD1.75	Poland	Zl 6.00	Tunisia	Din2.000
France	FFr12.00	Kuwait	Fils.750	Portugal (mainland)	Es255	Turkey	L120,000
Germany	DM4.00	Lebanon	LL3500			UAE	Dh13.00

Swiss bank faces first loss since war as it takes charge to cover problem loans

UBS credit rating put at risk

By William Hall in Zurich

Union Bank of Switzerland, one of the world's strongest banks, has imperilled its Triple A credit rating by taking a SFr4.4bn ($3.5bn) charge to cover its problem loans. The charge will result in the bank's first loss since the second world war.

UBS, which has substantial investment banking and asset management businesses in London, also announced yesterday that it was moving the management of its European division, apart from Zurich, to London. Mr David Robins, chief executive of UBS UK, will replace Mr Felix Zumbach on the group executive board and will be responsible for a region that also includes eastern Europe, the Middle East and Africa.

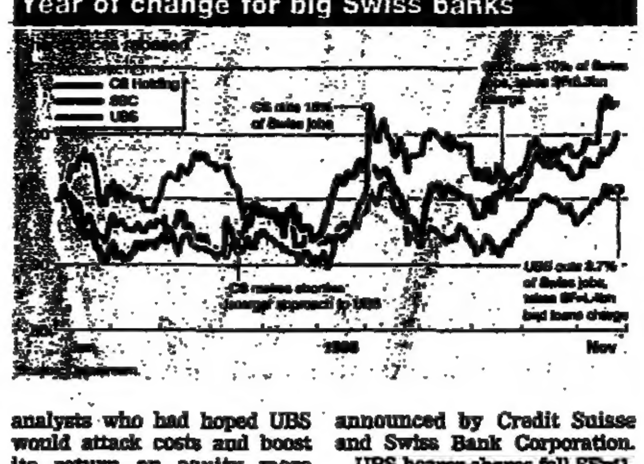
The move is a significant vote of confidence in the City of London. SBC Warburg, Swiss Bank Corporation's investment bank, has already moved its headquarters to London. UBS indicated it felt London's importance as a financial centre would grow whether or not the UK joined the European single currency.

The decision to take a special SFr3bn charge, in addition to a normal SFr1.4bn provision for 1996, will result in a SFr0.5bn loss for 1996 and reduce the group's Tier 1 capital ratio from 9.7 per cent to 9.0 per cent. Moody's, the US credit agency, confirmed UBS's Triple A rating but Standard & Poor's put UBS on CreditWatch which could result in one of the world's last remaining Triple A-rated banks losing its coveted title.

However, the huge provision and the long-awaited restructuring of the group's Swiss business disappointed many analysts who had hoped UBS would attack costs and boost its return on equity more aggressively. UBS's decision to reduce its domestic workforce by 800 jobs, or by 3.7 per cent, and close 10 per cent of its domestic outlets contrasted with the massive restructuring announced by Credit Suisse and Swiss Bank Corporation.

UBS bearer shares fell SFr41, or 3.2 per cent, to SFr 1,229 in Zurich last night. UBS said the planned changes would boost earnings by around SFr200m a year. But Mr John Leonard of Salomon Brothers had been hoping for a figure of double that and was also disappointed that the bank was planning to earn only 12 per cent on equity on a loan book which appeared to have been cleaned up.

Year of change for big Swiss banks



UBS said that, like other Swiss banks, it had underestimated how fundamentally the Swiss economy had been hit by structural change. "We did not fully recognise the seriousness of the situation," said Mr Mathis Cabiallavetta, the new chief executive. He admitted UBS did not assess the risks accurately and had made mistakes when granting loans. The traditional property-based approach to secured lending had been a "costly mistake".

Yesterday's special provision, which will reduce group equity from SFr23bn to SFr21.5bn, will make it easier to meet the group's target rate of return on equity of 12 per cent by 1999. Mr Cabiallavetta stressed that by clearing the portfolio of long-standing problem loans UBS could "reinvigorate" its lending business. The uncertainty had been having a "crippling effect" on the morale of staff involved in lending operations.

In addition to trimming its domestic Swiss network, UBS announced it was replacing the managers of 31 economic areas with eight divisional chiefs. It was moving its non-Swiss regional European headquarters to London and spinning off its Swiss institutional asset management business into a separate entity to avoid conflicts of interest.

Mr Cabiallavetta said that by removing the problem loans UBS's earnings would be easier to forecast.

Observer, Page 11; Lex, Page 12; UBS's European changes, Page 15; World stocks, Page 30

Havana refuses to accept Spain's new envoy

By David White in Madrid and Pascal Fletcher in Havana

Cuba yesterday refused to accept a new ambassador named by the Spanish government, plunging relations between Madrid and its one-time colony to their worst level since the early days of the Castro regime.

Tensions have been rising between the two countries since Mr José María Aznar arrived at the head of a new centre-right government in Madrid six months ago. In its main foreign policy initiative, the government has toughened Spain's stance towards Cuba.

The change was signalled by the naming of a new ambassador to Havana in August, even though the current ambassador took up his post only last year.

The new envoy, Mr José Coderch Planas, was due to arrive next month, after receiving approval from the Havana authorities. But Cuba told Spain yesterday it was withdrawing its approval.

The Cuban foreign ministry referred to the Spanish government's "flagrant interference in the internal affairs of Cuba". It criticised Mr Coderch for saying in a recent Spanish newspaper interview that he intended to maintain contacts with and assist Cuban dissidents who opposed Cuba's one-party communist government.

Mr Abel Matutes, Spanish foreign minister, said Madrid was keeping "all options" open for responding to the gesture but did not want to deepen the crisis. "We want to maintain relations with Cuba," he said.

Mr Matutes described the Cuban move as "surprising" and said it went against the "spirit of dialogue" which

Continued on Page 12

Spanish foreign minister Abel Matutes said Madrid was keeping "all options" open after Cuba refused to accept a new ambassador named by the Spanish government Picture: Reuter

Jakarta backs Barrick over Busang gold find

By Bernard Simon in Toronto

The Indonesian government has urged Bre-X Minerals, a small Canadian company that controls one of the world's most promising gold deposits, to sell the bulk of its 80 per cent stake in the Indonesian deposit to Barrick Gold, the largest gold producer outside South Africa.

This "guidance" from the government was disclosed yesterday after shares of both companies were suspended. After the suspension was lifted, the value of Barrick on the Toronto Stock Exchange jumped by C$1.2bn ($900m), while the news knocked C$592m off that of Bre-X.

Indonesia's ministry of mines and energy also indicated it "would appreciate it if the parties could consider a 10 per cent participation being given to the Indonesian government." A 10 per cent stake in the Busang deposit would be worth close to C$500m, based on Bre-X's present market value.

Busang, recently described by one US analyst as the "gold discovery of the century", is estimated to contain at least 47m ounces of gold, and possibly as much as 100m ounces. The deposit is expected to be developed into one of the world's biggest gold mines, with production starting around 2000.

The Indonesian guidance to Bre-X appears to stem from growing unease in Jakarta over a series of legal disputes involving the company, including claims by other companies for an interest in Busang. The government also doubts the capacity of Bre-X, which has no significant assets other than its stake in Busang. "They're fed up with the whole situation," one mining industry source said yesterday.

Under Indonesian law, title to the resource rests with the government. Bre-X has an exploration licence and is waiting for a "contract of work" that would allow it to proceed with mine construction. A Barrick official said yesterday that "the ministry decided we were eminently qualified to bring the deposit to production quickly".

Barrick, which is controlled by Mr Peter Munk, the Canadian entrepreneur, cautioned yesterday that there was no assurance an agreement would be reached with Bre-X.

Under the Indonesian proposal, Barrick would own 75 per cent and Bre-X 25 per cent of the Bre-X stake.

The Indonesian authorities have indicated that if Bre-X and Barrick fail to conclude a deal by Dec 4, they will take the "necessary steps" to prevent further delays in developing the deposit.

Bre-X has recently agreed to pay consulting fees totalling US$40m and to transfer a 10 per cent stake in Busang to President Suharto's eldest son, in return for his assistance in bringing the mine to production.

Barrick has formed an association with a construction company controlled by the president's daughter.

Hong Kong to pre-empt Beijing on subversion law

By John Ridding in Hong Kong

The Hong Kong government yesterday announced plans to introduce laws on subversion before the return to Chinese sovereignty in July next year, raising the stakes in a dispute with Beijing.

The move, which follows a protracted deadlock between Britain and China, is intended to pre-empt laws which Beijing demands should be introduced after the handover. It comes amid concern in Hong Kong about China's stance on freedom of expression and the harsh treatment of political dissidents on the mainland.

"Public concern about these subjects has been building since 1995," said Mr Peter Lai, Hong Kong's security secretary. He said China had made it clear in recent weeks that it would not co-operate on the issue and that time constraints ahead of the handover had forced the government to act unilaterally.

Beijing condemned the decision, warning Britain that it would be held responsible for breaching an agreement to discuss important transitional issues. British and Hong Kong officials expressed hope that the issue would not lead to a broader dispute or reverse the improvement in co-operation.

China insists that under article 23 of the Basic Law, Hong Kong's post-handover constitution, laws on treason, secession, subversion and sedition should be enacted by the new government. The Hong Kong government claims, however, that the lack of existing laws and uncertainty about the timing of new legislation meant it had to act.

"It would not be desirable to leave a legislative gap in this important and sensitive area," said Mr Lai. He claimed that the laws would facilitate the task of the new government by enacting workable proposals which could then be adapted.

However, Mr Lai accepted that China might simply ignore the legislation and introduce its own bills. Beijing plans to replace the existing elected legislature with a provisional body, selected by a 400-member committee.

The proposed legislation emphasises the use of force in its definition of subversion. This contrasts with Chinese concepts of subversion, which can include printed or spoken criticism of government leaders, and with recent statements by senior Chinese officials concerning freedom of expression in Hong Kong.

Mr Qian Qichen, China's foreign minister, has indicated that demonstrations to commemorate the suppression of pro-democracy protests in Beijing in 1989 should not be allowed in Hong Kong after the handover. Along with the severe penalty against Mr Wang Dan, the Chinese dissident who was imprisoned for 11 years last month, such comments have fuelled concern.

CONTENTS

LONDON · LEEDS · PARIS · FRANKFURT · STOCKHOLM · MADRID · NEW YORK · LOS ANGELES · TOKYO · HONG KONG

Moscow gives exchange rate pledge

By Chrystia Freeland in Moscow

Russia's top economic ministers yesterday announced the extension of the rouble's sliding peg exchange rate until the end of the 1997, in a decision they said demonstrated the stability of the Russian economy.

The rouble will begin 1997 in a currency band ranging from Rbs5,500 to Rbs6,100 against the dollar. The band will be allowed to slide gradually downward throughout the year, reaching an upper range of Rbs5,750 to Rbs6,350 on December 31 1997.

The Central Bank will extend its current practice of setting a daily exchange rate for the rouble against foreign currencies, pledging to defend the rouble within the sliding band.

Yesterday, the rouble traded at Rbs5,497 to the dollar on the Moscow Interbank Currency Exchange, the main foreign exchange market.

Mr Alexander Livshits, the minister of finance, said the decision, signed into law by the prime minister and chairman of the central bank on Monday, was a public guarantee that the government would stick to its current tight fiscal and monetary policies.

"Yesterday's decision means that there will be no massive financial injections into the Russian economy next year. We will not print money," Mr Livshits said.

The government has been under mounting pressure from the country's cash-strapped commercial banks and factories to ease its austere anti-inflation approach.

But Mr Livshits said the decision to extend the currency band for a year meant the Kremlin was making a public promise to hold down inflation and the budget deficit.

In what amounted to an ultimatum to the Communist-dominated parliament, which has been holding up passage of the government's 1997 draft budget, Mr Livshits said that in order to defend the rouble corridor next year the cabinet would be forced into holding the budget deficit down to 3.5 per cent of GDP and inflation down to an annual rate of 11.8 per cent.

Government ministers said yesterday's pledge was an important milestone for a country which only two years ago was struggling with hyper-inflation.

But the upbeat announcement coincided with a bleak warning from another top cabinet minister.

In an official letter to the premier, leaked to a Moscow newspaper, Mr Evgeny Yasin, the economics minister, said the country urgently required a package of measures to stimulate growth.

Mr Yasin, who is one of the most respected reformers in the cabinet, said the government's revenue forecasts for 1997 were unrealistic and warned that without a new approach Russia's prolonged economic depression could continue.

"If the existing trends in the economy are continued without energetic and purposeful efforts to break them and create real conditions for economic growth, the situation will in all probability get worse," he wrote.

Germany to allow share buy-backs

By Peter Norman and Ralph Atkins in Bonn

German companies should be able to buy back up to 10 per cent of their shares from the beginning of 1998 under plans published yesterday by the justice and economics ministries.

The buy-back proposals form part of a wide overhaul of legislation covering public limited companies that will also dilute the power of banks over their industrial and commercial holdings and encourage greater professionalism in Germany's supervisory boards.

Mr Edzard Schmidt-Jortzig, the justice minister, said the proposals, which will be discussed in cabinet early next year before being submitted to parliament, were designed to rectify weaknesses in Germany's system of corporate governance. Another important aim was to boost transparency and strengthen Germany as a financial centre by bringing German practice more into line with trends abroad. Companies will also be better able to reward executives with stock options in future.

Mr Rainer Funke, justice ministry state secretary, said the increased scope for companies to buy back their shares would meet European Union law and be a boon for cash-rich businesses. He was confident that this would not lead to abuse. Companies would have to secure the approval of their shareholders for buy-backs and would then be empowered to buy their own shares for no longer than 18 months. They would not be able to exercise voting rights on the shares they acquired.

The draft legislation will give more rights to ordinary shareholders by banning both multiple voting of shares and measures limiting shareholders' voting rights. Banks will be unable to use open-ended proxies granted by clients at the same time as voting shares held in their own portfolios in cases where their own shareholdings exceed 5 per cent of a company's capital.

In response to a succession of corporate failures and scandals in recent years, the ministries want company supervisory boards to be leaner and more efficient. These boards will in general be limited to 12 members against 16 to 30 at present. Responsibility for appointing auditors will be taken from companies' managing boards and given to the supervisory boards.

The proposals, while wide-ranging, are not radical. Mr Schmidt-Jortzig said that Germany company law had "in general proved to be sound". The package would represent the first significant reform since 1974.

Large companies such as BASF and Bayer have been pressing the government to allow share buy-backs for some time and originally were hoping that new regulations could be in effect in 1997. The banks have broadly accepted the proposals, which fall far short of calls from leftwing political parties for a limitation of their holdings.

Mr Schmidt-Jortzig said the plans would counter the accumulation of influence over public companies among Germany's big banks. He noted that Deutsche Bank had already set the divestiture of its industrial holdings as a long-term goal.

Debate on Germany's 1997 budget opened yesterday with the opposition Social Democratic party accusing the government of undermining optimism, as well as investment in research and education, with its planned savings. Chancellor Helmut Kohl (pictured above) is expected to speak today. Reuter

Belarus leader close to winning political tussle

By Matthew Kaminski in Minsk

President Alexander Lukashenko appeared to have won his tussle with the Belarus parliament yesterday when more than half the country's deputies endorsed constitutional changes that give him broader powers.

More than 100 deputies out of 199 are meeting separately and trying to form a new lower house of parliament. They cannot formally do this until the final results are known in five days' time. They are reported to have declared the old parliament invalid. Their backing for the president left some 70 deputies, who have called Sunday's referendum on the reforms "illegal", struggling to maintain the appearance of legitimacy.

The president's constitution creates a new bicameral parliament and high court, and gives him added authority to nominate members. Mr Lukashenko automatically gets another two years in office, extending his term until 2001.

The president's position was further bolstered yesterday when the constitutional court, which has struck down his decrees in the past, again put off consideration of the parliament's impeachment motion.

As the opposition lost momentum, few public protests materialised yesterday, and snow and fog descended on the capital, Minsk.

The government claims 70.4 per cent of all registered voters in the isolated and rural ex-Soviet republic of 10.7m people backed the constitutional proposals on Sunday.

But the European Union and the US have said the referendum was marked by serious voting irregularities. The US State Department said the referendum was "deprived of legitimacy", while a Council of Europe delegation said it would not accept the authority of a new parliament.

However the Kremlin, for long the Belarusan leader's strongest ally, gave its backing to Mr Lukashenko, pointing to what it said was popular support for the constitutional changes. In spite of earlier expressions of concern over political instability, Mr Victor Chernomyrdin, the Russian prime minister, yesterday congratulated Mr Lukashenko for "a real victory", according to a Belarusan official quoted by Interfax news agency.

BSE probe leaves few unscathed

Caroline Southey on startling facts unearthed by MEPs' inquiry into handling of the crisis

The European Parliament's investigation into the handling of the "mad cow" crisis over the last eight years has unearthed some startling facts which call into question the behaviour of national governments, the European Union's veterinary experts and the European Commission.

"There clearly was a lot of mismanagement," said Mr Reimer Böge, a German MEP and chairman of the committee of inquiry into bovine spongiform encephalopathy (BSE) which wraps up next month and will deliver its final report in January.

The biggest mistake, he believes, was the attempt to "try to minimise the problem". Chief among the accused stands the UK. Evidence delivered so far paints a dismal picture of inadequate control and poor management in Britain, where the government failed to implement anti-BSE measures.

The most important of these was a ban on feeding meat and bonemeal to cattle. This only came fully into force in July 1996 despite UK legislation in 1988.

"There was a real lack of control and management and UK officials have admitted that things could have been managed in another way," Mr Böge said.

Evidence also points to errors on the part of the council of ministers and the standing veterinary committee. Both bodies balked at taking decisions to safeguard human health on the grounds that there was insufficient scientific evidence to warrant drastic action.

But the most sensitive findings relate to the Commission. The principal accusation has been that Commission officials, including Mr Ray MacSharry, farm commissioner between 1989 and 1992, and Mr Guy Legras, the EU's top agriculture civil servant, tried to keep discussions on BSE to a minimum in an effort to protect the beef sector.

Mr MacSharry and Mr Legras both vehemently denied the charge when they faced the inquiry. "I have never exercised any pressure on anybody not to disclose information about the problem," Mr MacSharry said. He added that "managing the market was never, I repeat never, given priority over measures to protect health".

The inquiry has also discovered that the Commission failed to send EU inspection teams to meat and bonemeal plants in the UK between June 1990 and 1994. Inspections could have uncovered the UK's lax behaviour and led to tighter controls on infected feed which scientists believe was the main cause of BSE.

Mr MacSharry and Mr Legras admitted the omission, but argued there was an acute shortage of qualified inspection staff. The Commission had 12 staff in 1991 whose responsibilities ranged from ensuring implementation of the single market to vetting third-country imports.

Mr MacSharry said he had pressed, unsuccessfully, for the number to be raised to 120.

Mr MacSharry blamed the UK for negligence in implementing laws designed to reduce the risk of mad cow disease. "When decisions are taken at community level, it is the responsibility of member states to implement them," he said.

There is also evidence that conflicts between individuals and departments in the Commission led to confusion and poor policy-making. In one instance, evidence has emerged that an inspection report critical of measures being taken in the UK was not followed up.

The BSE inquiry is also attempting to unravel the real story behind the Commission's decision earlier this year to lift the export ban on British gelatine.

MEPs will question Mr Franz Fischler, commissioner for agriculture, on why he backed a decision to lift the ban on British gelatine and tallow before he had received a definitive report on how the products could be made safe.

The report, prepared by an independent research institute, found that no absolute guarantees could be given on the safety of gelatine, even after it had been subjected to special treatment.

Mr Reinhard Schrieber, president of the gelatine manufacturers of Europe, told the inquiry the Commission had been given the report before the decision to lift the ban was taken. The Commission denies it received it.

"There are inconsistencies," Mr Böge said. "We have to establish the truth."

But the critical question for those in the dock is whether MEPs conclude this all amounts to a conspiracy, or simply a series of errors.

There is a great deal at stake. Mr Böge believes the parliament's reputation rests on the results of the inquiry, the first to be completed by the parliament under powers given to it by the Maastricht treaty. "If we are successful, it will prove that the parliament can use this right of inquiry to find the truth and uncover mismanagement," he said.

But there is increasing nervousness in some quarters about the outcome. "I think we have spent too much time looking back. There has been too much of a witchhunt," said Lord Plumb, a British MEP sitting on the inquiry.

Mr Böge is aware that a damning report, particularly one that singles out the Commission, could have serious political consequences.

"Some fear that a bad result could be used by some member states to argue that the Commission's powers should be curbed," he said. But, he added, "I want a balanced result. This should not be misused by politicians."

EUROPEAN NEWS DIGEST

Paris plea for trucks pact

The French government yesterday instructed its mediator to try to hold non-stop negotiations between truck drivers and their employers in an effort to stop the 10-day dispute worsening today.

By yesterday morning, after 50 hours of talks, the road haulage companies and their employees had settled minor issues such as sick pay and extending the ban on Sunday movement of road freight to all drivers of all nationalities. Mr Robert Cros, the government mediator, reconvened the talks yesterday afternoon to try to resolve the main sticking points over retirement and pay.

Mr Jacques Barrot, the labour minister, called for a deal "with 24 hours" to defuse union threats to widen the action today. The drivers have so far mounted 180 blockades of roads and petrol depots.

In a separate dispute, airline crew are also due to strike today and tomorrow. The International Union of Road Hauliers in Geneva yesterday demanded that France take action to help foreign drivers "taken hostage" in the dispute. *David Buchan, Paris*

Serbs maintain poll protests

In the wake of their biggest demonstration ever, Serbian opposition leaders yesterday kept up their pressure on President Slobodan Milosevic with fresh protests and an appeal to the Serbian Supreme Court.

More than 10,000 students yesterday renewed their protest against a court decision to annul opposition victories in local elections across Serbia, including the capital, Belgrade, on November 17. They chanted: "We won't give up Belgrade" and wore masks initialled TNP – "Stop The Robbery", abbreviated in Serbian.

Yesterday marked the eighth day of protest, and leaders of Zajedno (Together), the opposition coalition, said it would surpass Monday's demonstration when more than 150,000 marched through the city centre.

Opposition leaders yesterday appealed to the Supreme Court to reinstate the election results in municipalities already confirmed as won by the opposition. The Court must rule by today, when a third round of polling ordered by lower courts is due to be held. *Laura Silber, Belgrade*

German steel pay talks fail

IG Metall, the German metal workers' union, said yesterday that regional wage talks in North Rhine-Westphalia, which had been seen as the key to a possible national deal, had collapsed.

Mr Martin Kannegiesser, the employers' negotiator, said the talks had foundered on disagreements over a new model which sought to link special payments to sick days. *Reuter, Düsseldorf*

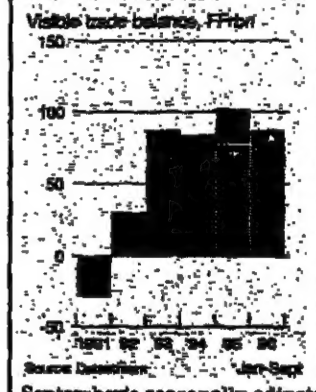
Schengen hitch for Austria

Austria may be forced to delay implementation of the Schengen accord on the elimination of border controls because of problems with the central Schengen computer.

Mr Caspar Einem, Austria's interior minister, said the central computer in Strasbourg for the exchange of police data was designed for only eight participating countries and was currently used by seven – Germany, France, Belgium, Netherlands, Luxembourg, Spain and Portugal.

Austria, Italy and Greece are supposed to join the Schengen group on July 1 next year. *Eric Frey, Vienna*

French hopes on trade surplus



The French government yesterday seized on impressive monthly trade figures to predict that the country's overall 1996 trade surplus could rise to FFr120bn (£14bn) compared with just over FFr100bn in 1995. Mr Yves Galland, trade minister, said he was aiming for a further improvement in 1997. He said French companies were well placed in a number of important markets including water, transport, energy, telecommunications, food and financial services.

September's seasonally adjusted FFr10.08bn surplus, published yesterday, took the running total for the first nine months to FFr86.76bn, compared with FFr72.32bn in the same period last year. Coming after the record FFr13.37bn surplus in August, yesterday's figures confirmed the impression that the country's trade balance is improving again after appearing to run out of steam earlier in the year. *David Owen, Paris*

Spanish PM in jobs drive

Mr José Maria Aznar, Spanish prime minister, yesterday responded to poor opinion poll showings by telling unions and employers they should conclude a deal on more flexible hiring and firing rules by early next year.

His declaration coincided with official figures showing an unexpected fall of 21,000 in the number of jobless in the third quarter to 3.51m, or 21.91 per cent of the available workforce. This was the lowest rate since early 1993. However, the number of Spaniards looking for a first job rose by almost 55,000, according to the quarterly survey. *David White, Madrid*

■ Consumption of manufactured products in France fell by a seasonally adjusted 2.6 per cent in October following a downwardly revised fall of 1.6 per cent in September.

■ The Swedish Central Bank said that it cut its repo rate to 4.35 per cent from 4.60 per cent and that it was seeking tenders for 7-day reverse repos expiring on December 4. *AFX, Stockholm*

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Thessaloniki's train project stalls, with no contract signed, while Athens' steams ahead

Greek minister under pressure over metro

By Kerin Hope in Athens

Mr Costas Laliotis, Greece's public works minister, is under pressure to decide the fate of a Dr160bn (£403m/$672m) underground railway project in Thessaloniki, the northern Greek city whose residents claim that Athens gets an excessive share of the public investment budget.

There is mounting impatience among Socialist deputies from the north and Thessaloniki-based cabinet ministers for Mr Laliotis to give the go-ahead for the metro project, to be funded through a mix of EU grants, loans from the European Investment Bank and private sector financing.

"The Thessaloniki metro file has sat in the minister's drawer for three years," says a socialist deputy. "Meanwhile the Athens metro project is halfway finished and is getting billions of drachmas in extra funding from the Union."

Greece has made progress this year on several much-delayed infrastructure projects supported by the EU. Construction is under way on an Ecu2.2bn (£1.7bn/$2.8bn) new international airport for Athens, while parliament has ratified contracts for a Dr450bn toll motorway linking the city with the new airport and a Dr180bn toll bridge across the Corinth Gulf.

Mr Laliotis has learned how to push Greek bureaucrats into action, tap the skills of investment bankers, and persuade quarrelsome local contractors to co-operate with international construction companies working in Greece.

But the Thessaloniki metro is different from other projects because Mr Laliotis must deal with one large Greek construction company rather than an international engineering group or a local consortium.

The previous conservative government awarded the project in August 1993 to a consortium which was led by Mechaniki, a Thessaloniki construction company controlled by a local businessman, Mr Prodromos Emfietzoglou. But the contract has still not been signed.

The other consortium partners are A.D. Trans of Germany, a member of the ABB international engineering group, and two Italian contractors. Mechaniki has an 80 per cent stake and would put up most of the Dr25bn equity financing required for the project.

The metro would be a build-operate-transfer project, which Mechaniki and its consortium partners would operate for 25 years before handing it over to the state.

The decision to award the contract to a local company with no experience of running a complex underground construction project came as a surprise. However, both Mechaniki's technical bid and its financial package were judged superior to that of Bouygues, the French construction group, in the bidding contest, according to public works ministry officials.

The decision was also a disappointment for Bouygues, which had hoped to win the Thessaloniki project after losing a tender to build a $2.4bn extension to the Athens metro to a consortium led by ABB and Siemens of Germany.

Mr Laliotis must decide whether to let Mechaniki build the metro, or cancel the project and find another solution to Thessaloniki's transport problems – a decision that could make him highly unpopular with its residents.

But he is reported to be under pressure from some cabinet colleagues to cancel the project and call a new tender because of Mr Emfietzoglou's close personal ties with leaders of the conservative opposition.

Mr Emfietzoglou says building a metro for Thessaloniki is his dream project. He pledges to make the single-line 9km railway beneath the centre of Thessaloniki a showcase project, with stations that would highlight the city's past as the capital of ancient Macedonia, Alexander the Great's kingdom, and the second city of the Byzantine empire.

Kessler quits the smoke of battle

By Patti Waldmeir in Washington

There were times when it seemed the battle over big government was being fought in the office of Dr David Kessler, who announced on Monday night that he was stepping down as head of the US Food and Drug Administration.

Republicans turned him into something of a hate figure, symbol of the "nanny state". They said he wielded too heavy a hand in regulating products from orange juice to tobacco. Mr Bob Dole, the Republican presidential candidate, even made a campaign promise to remove him from office. As faceless technocrats go, Dr Kessler attracted an almost unprecedented amount of political venom.

From public health advocates, though, came an equal amount of adulation. Especially in the area of tobacco regulation, where he introduced regulations designed to discourage teenage smoking, there was fulsome praise yesterday for the departing regulator. Anti-smoking advocates said he was the most important FDA commissioner ever; several said he could claim a place in history for saving lives.

Criticism focused on the character of Dr Kessler, described by Senator Orrin Hatch – an erstwhile supporter – as a shameless publicity seeker. Critics said he sometimes favoured publicity over public health.

Dr Kessler said yesterday he was stepping down voluntarily after six years as FDA head because he had accomplished his goals. "We did what we set out to do. We're done," he told a morning television programme. Dr Kessler's wife has made no secret of the fact that she has long pressured him to resign.

Kessler: shameless publicist adored by anti-smoking lobby but reviled by opponents of the "nanny state" Associated Press

Controversy over Dr Kessler began soon after he was appointed in 1990, by former President George Bush. He immediately seized 40,000 gallons of Procter & Gamble orange juice labelled as fresh, but made from concentrate. Critics said this was an unusual move, when public health was not an issue. He provoked further controversy by calling for a moratorium on silicone breast implants.

Dr Kessler tackled some of the most controversial health and safety issues, including putting on track the approval of RU486, commonly called the abortion pill, and approving olestra, a controversial fat substitute.

He also made important progress in speeding drug approvals, cutting the final review period from 30 to 17 months. A spokesman for the Pharmaceutical Research and Manufacturers Association yesterday hailed this progress.

"He nudged things along" said a drugs industry executive.

His moves to curb teenage smoking proved popular with the public, though the question of whether tobacco will be regulated as a drug remains unresolved.

The tobacco industry expressed relief that Dr Kessler had quit. He considered nicotine an addictive drug and cigarettes "high technology nicotine delivery systems". As such, he lobbied passionately with President Bill Clinton's backing, for cigarette regulation to be transferred to his agency.

"The threat won't go away but it has lost its champion," an industry executive said yesterday.

Dr Kessler will leave as soon as a successor is found. Speculation centres on his deputies, Dr Michael Friedman and Mr Bill Schultz.

Additional reporting by Nancy Dunne in Washington and Daniel Green and Roderick Oram in London

Argentine former minister charged

By David Pilling in Buenos Aires

Mr Oscar Camilión, former Argentine defence minister, has been indicted for allegedly failing to prevent – and subsequently covering up – illegal shipment of arms to Ecuador during that country's jungle war with Peru in February 1995.

Mr Camilión, who resigned over the scandal in July, has become the first cabinet member to be indicted during the two-term tenure of President Carlos Menem which began in 1989. The Menem administration, which has been mired in numerous top-level scandals, has recently declared war on corruption in reaction to public perception that officials are immune from prosecution.

Brigadier Juan Paulik, former head of the air force, was also indicted over the illegal arms shipments. Both men face up to three years in jail.

It emerged over a year ago that Argentina had sold Ecuador thousands of ageing rifles and several tonnes of ammunition in 1995, even though it was at the time conducting peace talks aimed at ending the war with Peru. Argentina is a guarantor of peace in the long-running Andean border dispute under the 1946 Rio de Janeiro protocol.

Mr Camilión told a parliamentary investigation earlier this year that Argentina had been duped by arms brokers who had diverted shipments to Ecuador that had been intended for sale to Venezuela. Mr Jorge Urso, the judge investigating the scandal, called such explanations "puerile".

Argentina also sold arms to Croatia during 1991-95 while its own troops were in the Balkans as part of a UN peace contingent. Croatian shipments had supposedly been intended for Panama, even though it has no armed forces.

'Plastic war' over Visa trademark

By John Authers in New York

The "plastic war" between the rival card issuers Visa USA and American Express intensified yesterday as Visa sued its rival for "trademark infringements" over a scheme which offered points in the Amex loyalty rewards scheme for payments made with Visa cards.

Visa also announced that it had amended its regulations to make clear that none of its members could market American Express cards.

The scheme at issue was launched earlier this month by Advanta, a Pennsylvania bank which is the eighth largest card issuer in the US, in what was widely seen as an attempt to test the rules applied by Visa and MasterCard, both banking associations, to bar their members from also offering American Express.

American Express claims the rules are anti-competitive, and won support for its position in Europe from the European Commission, where Visa now allows its member banks to offer American Express. It has also taken legal action against Visa in several Latin American countries.

The company has recently altered its long-term strategy of relying on direct marketing in favour of attempting to build relationships with banks. This has brought it into direct conflict with Visa, the world's largest card issuer. Visa had been expected to take action over Advanta's new product, although it involves bringing Visa into conflict with Advanta, one of its members.

Mr Carl Pascarella, chief executive of Visa USA, said the amendment to its rules had been a "clarification". He said: "Our existing regulations clearly outline the appropriate use of the Visa brand. Couple that with the more than $1bn (£600m) Visa and its members have spent over the last decade to differentiate the Visa brand from American Express with our successful advertising campaign and I'm astonished to find someone could misinterpret our position on this issue."

Visa complained that Advanta's marketing brochure included photographs of both a Visa card and an Amex logo on the same page, and that the company's product required Visa users to obtain an Amex card before they could use it, in effect using the Visa brand name as a "lure".

American Express claims the rules are anti-competitive and has won European support

The Advanta programme was "like a McDonald's franchisee using the Golden Arches as a customer draw and then selling them a Burger King Whopper once they're in the door and vice versa".

Mr Peter Hart, Advanta's chief executive, said he was confident his company had acted "within the rules as of yesterday", and that he regretted Visa's action, which he thought was "inappropriate". He added that the new product had been tested with consumers, and had been popular, particularly with existing American Express card holders.

Mr Michael O'Neill, American Express vice-president, described the amendment in Visa's rules as "arbitrary and arrogant", and claimed the company was acting out of "desperation". He predicted that the issue would eventually be settled by competition authorities at the US Department of Justice.

New signal standard for HDTV agreed in US

By Richard Waters in New York

The US has moved a step closer to a new era of high-resolution television and personal computer screens with an agreement this week on technical standards covering the digital signals used by these appliances.

The accord, reached between representatives of the television and computer industries, also confirms US leadership in development of digital high-definition television (HDTV), a long-awaited technology that promises higher quality signals than traditional analog systems.

"This is the critical step" in the development of HDTV, the National Association of Broadcasters said. "Without the standard, nothing would happen."

The standard is expected to be approved by the Federal Communications Commission before the end of this year, with a target date of the spring of 1998 for the first television broadcasts using digital signals.

The accord was reached only after representatives of the television industry agreed at the last minute to drop proposals that would have covered the different video formats covered by the standard. That, in turn, could prompt a battle in the future between rival video formats promoted by computer and television makers.

The original proposal had covered 18 different video formats. These included both the so-called interlatticed scanning technology used by television makers and progressive scanning used by computers, a spokesman for the NAB said.

Under opposition from the computer industry, however, the limitation on formats was dropped, leaving manufacturers free to adopt their own – a move which computer makers say will level the competitive playing field between the two industries.

Despite this, the proposal adopted this week still contains "95 per cent of the original standard" for HDTV signals, which was first laid out a year ago, the NAB said.

Another important step in the development of digital broadcasting in the US is due next spring, when the FCC has said it will allocate frequencies for carring digital signals. Broadcasters will need additional capacity in the radio spectrum to carry the new signals while continuing their existing analog services.

The FCC has yet to say if it will auction the new frequencies, or hand them free to existing broadcasters.

Consumers stay confident in US

Consumer confidence in the US economy held steady in November, with most Americans remaining optimistic about business conditions as the all-important holiday sales season approached, the Conference Board, a private research group, said yesterday, AP reports from New York.

The board said the consumer confidence index was 107.3 this month, the same as the revised October figure. The index jumped 6.9 points in July and 5 points in August, hitting a six-year high before weakening slightly in September and October.

The board's present situation index, a separate measure of sentiment on current business conditions, rose to a seven-year high of 131 in November, up 6 points from October.

"Consumers are more positive about current business conditions than at any time this decade," the board said. "The strong level of confidence coupled with low unemployment, modest inflationary pressures and continuing wage growth should translate into healthy holiday sales in coming weeks."

Consumer spending accounts for about two-thirds of the nation's economy, so businesses watch the confidence index closely.

The index is derived from responses to questions sent to 5,000 homes nationwide.

Yesterday's report shows consumers are quietly confident about the current economic picture, with only 13 per cent of those surveyed saying current business conditions are bad.

But the outlook for the next six months was not as rosy, with only 14 per cent expecting improvements.

Officials admit defeat in insurance talks

By William Dawkins in Tokyo

US and Japanese trade officials yesterday wound up talks after failing to settle their main outstanding dispute – foreign access to Japan's $380bn insurance market.

They said it would now be up to ministers to try to reach a deal by their deadline of December 15.

Mr Ira Shapiro, senior negotiator at the US Trade Representative's office, said both sides remained far apart.

Mr Hiroshi Mitsuzuka, the Japanese finance minister, and Ms Charlene Barshefsky, acting US Trade Representative, will launch a final attempt to resolve the dispute at a meeting in Tokyo on December 6 and 7. The deadline, already extended from July 31, would not be extended again, said Mr Shapiro.

Mr Mitsuzuka said the situation was "severe" but added: "There is no agreement that can't be reached if there is a will."

The dispute concerns implementation of a 1994 bilateral accord, in which Japan promised to open its hitherto tightly restricted insurance market to all comers. What upsets the US is the order in which Japan has chosen to open the three sectors of the market – life, non-life and the so-called third sector, which includes personal accident and health policies.

From the beginning of October, Japanese life and non-life companies were allowed for the first time to enter each other's business through subsidiaries. The US has no objection to this.

But it does have a problem with the finance ministry's plans allow Japanese life and non-life companies to enter the third sector, where foreign insurance groups dominate, before opening the life and non-life sectors, where the Japanese have a monopoly.

Foreign companies are unwilling to face Japanese competition in the third sector unless they are first rewarded with access to the life and non-life markets. The bilateral insurance accord tries to deal with that concern by committing Japan "substantially" to deregulate life and non-life insurance before opening the third sector to new competition.

One compromise suggested by Japanese officials would be to delay liberalisation of the third sector for two years, during which time foreigners would be allowed into the rest of the insurance market. The US is pushing for a three-year delay.

Silicon chip masters marble challenge

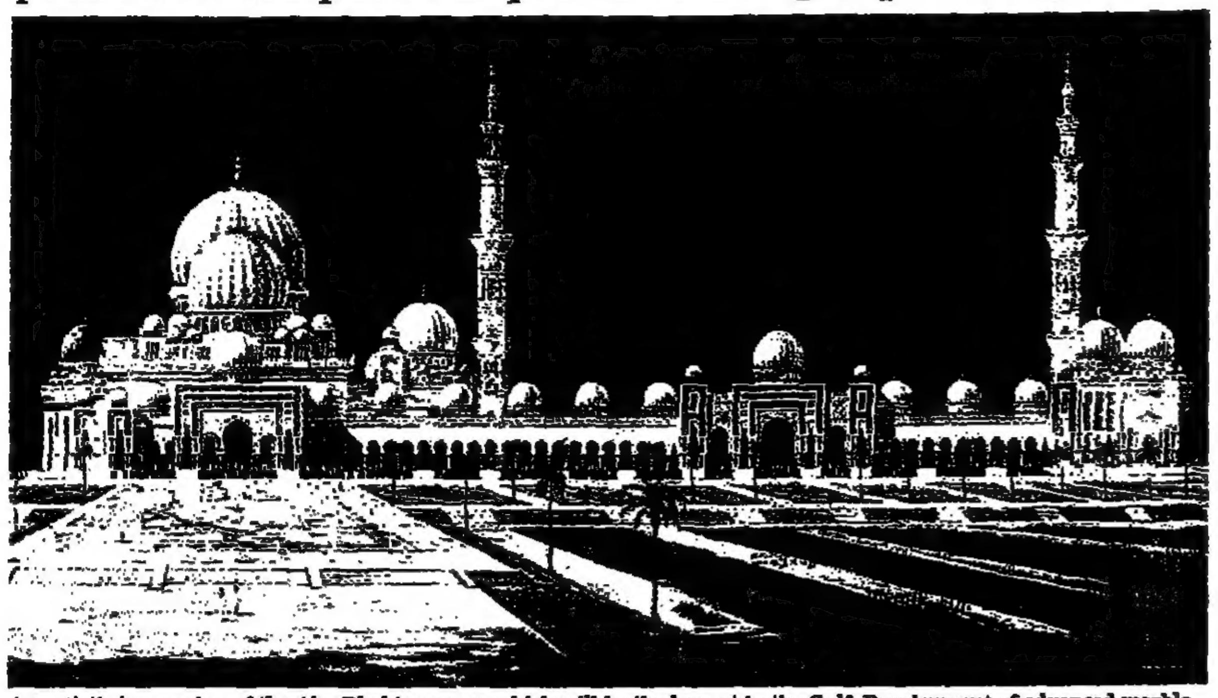
John Simkins explains how computers helped an Italian group win a giant mosque contract

The Milan-based construction company, Impregilo, is to build a mosque in Abu Dhabi 10 times the size of a football field which will have, among its rich furnishings, a chandelier the height of a seven-storey building. It is the biggest overseas building contract won by an Italian company – thanks to advanced production technology.

The Grand Mosque ordered earlier this month by Sheikh Zaid bin Sultan, Abu Dhabi's ruler, and designed by Mr Yusef Abdelki, a Syrian architect, will be the largest in the Gulf but will have a smaller haram, or covered area, than that built by Bouygues of France for King Hassan of Morocco at Casablanca.

However, whereas the king insisted on using local craftsmen and materials where possible, the sheikh is importing finishings of the highest quality for his marble structure which at L625bn ($417m) will cost about twice as much as the Casablanca mosque. This is the second mosque to be built by Impregilo following the Abuja National Mosque in Nigeria and rewards Impregilo's efforts to apply computerisation to the challenges posed by producing works of Islamic art.

Mr Antonio Parlavecchio, Impregilo's lead engineer in the Abu Dhabi project, believes the company has tapped a rich vein: Abu Dhabi also intends to build an Islamic centre and a university, and Moslem republics in the former Soviet Union are also commissioning mosques.



An artist's impression of the Abu Dhabi mosque, which will be the largest in the Gulf. Development of advanced marble cutting technology to reproduce works of Islamic art swung the $400m contract Milan's way

Italy will provide the mosaic glass, of which it is the leading producer, and most of the marble, crystal, gilded wood and golden brass. The value of the raw and processed materials and Italian labour amounts to about half of the order. Impregilo and its partner Rizzani de Eccher, which is based in Udine in north-east Italy and has a 33 per cent share in the venture, aim to build the mosque in three and a half years. "To build it in such a short time we have to speed up production of marble finishing and use the most sophisticated equipment for carving marble," says Mr Parlavecchio.

The marble for the 180,000 square metres of internal and external facings, including 1,400 columns, will come from quarries at Carrara, in Tuscany, known for marble of uniformly high quality, durability and attractive white colour.

Quite apart from the quantity of marble – equivalent to 10 per cent of Carrara's annual production – the order has spurred advancement in computerisation of marble-cutting machinery. In this, Italy is the world leader, through companies around Carrara and around Verona, the other main quarry area. One type of drill used will be a waterjet of 6,000 bars of pressure unveiled at a recent Verona marble exhibition and essential for cutting the moucharabyas, or Islamic screens. In the case of another type, used for intricate carving and design, Impregilo has asked the manufacturer to accelerate the speed at which the machine switches between different tools. In the case of both types and in that of a third, a wire-cutter, the project requires computers to drive more than one machine at a time, so as to speed up work.

Impregilo, together with Comau, the process automation arm of Fiat, is also studying how to improve the machinery's robotic system, by moving the machines to the marble rather than the marble to the machines. Mr Parlavecchio says the battle for the contract, in which Impregilo beat off Bouygues, Dragados, Dumez, ETI and Skanska, also forced the company to go deeply into all aspects of sub-contracting to compete on price. "Sixty per cent of the value of the project comprised finishing processes and sub-contracting played a big part in this."

While the bulk of Impregilo's orders are for civil engineering projects such as dams and hydroelectric plants, the mosque project will boost the company. It only returned to profit in the second half of last year after a downturn in the Italian construction sector caused by recession and the Tangentopoli ("bribesville") scandal which froze big infrastructure projects in Italy.

Forty-eight per cent of Impregilo's revenue comes from overseas. Its present structure is the fruit of a merger which saw Impregilo team up with Fiat's construction interests and the Girola and Lodigiani groups to become the country's biggest construction group. "All our rivals have big domestic markets," says Mr Franco Carraro, Impregilo's chairman. "But the market is still very depressed within Italy so we try to be competitive abroad."

WORLD TRADE NEWS DIGEST

Canadians in $3bn China deal

Atomic Energy of Canada has signed a long-awaited C$4bn (US$3bn) deal to sell two Candu heavy-water nuclear reactors to China National Nuclear Corporation. The 700MW reactors will be built at Qinshan, about 80km south of Shanghai, next to an existing Chinese plant.

The project also involves suppliers from Japan, the US and South Korea. Canada's Export Development Corporation will provide financing for the Canadian component, totalling C$1.5bn. The reactor contract, which has been under negotiation for three years, is the biggest commercial deal between China and Canada. Mr Jean Chrétien, Canada's prime minister, made a six-hour stop in Shanghai yesterday to attend the signing ceremony. Mr Li Peng, China's premier, was also present.

AEC, which went through a difficult period in the late 1980s and early 1990s, has also been buoyed in recent years by orders for three Candu units at Wolsong, South Korea. *Bernard Simon, Toronto*

Japanese win rocket contract

Rocket Systems Corporation, a consortium of leading Japanese industrial and electronics companies, said yesterday it had signed an agreement with Hughes Aircraft of the US to launch at least 10 satellites between 2000 and 2007 using a domestically developed rocket, the H-2A. It is Japan's first contract in the highly competitive commercial satellite launch business and, if successfully executed, will boost the country's ambition to develop a sophisticated aerospace industry.

The consortium also said it expected to conclude soon a similar agreement with Space Systems/Loral of the US to launch about 10 satellites. Observers estimate the combined value of the contracts at more than Y200bn ($1.8bn). They would give Japan a significant share of the world market, which currently averages about 30 launches per year. *Gwen Robinson, Tokyo*

GM to start Russian output

General Motors, the world's biggest carmaker, expects to start production of Chevrolet Blazer sports utility vehicles at its new Russian joint venture next month. Within two years, GM hopes to raise output to 4,500 Blazers a month. The vehicles are being built by a joint venture between GM and Elabuga Avtomobilny Zavod (ElAZ), an enterprise majority-owned by the government of Tatarstan, a self-governing region of Russia. ElAZ has 75 per cent of the company, GM the rest. *Haig Simonian*

Indian car parts venture

TVS, one of India's biggest automotive components manufacturers, is forming a joint venture with the UK's Unipart group under which components made by TVS and other Indian parts manufacturers will be marketed and distributed by Unipart throughout Europe. The 50-50 venture will cover commercial vehicle, motor cycle and industrial applications, as well as cars. The two companies said yesterday they would be seeking both aftermarket and original equipment business. TVS, which has an annual turnover of around $1bn, employs 25,000 and already counts General Motors, Iveco, Mercedes-Benz and Nissan among its original equipment customers. It also has long-standing manufacturing joint ventures with a number of western components groups, including LucasVarity and Eaton. *John Griffiths*

OECD to cut spending by 10%

By Graham Bowley in London

The Organisation for Economic Co-operation and Development, the industrialised world's most influential economic think-tank, is planning to cut its spending by 10 per cent over three years by axeing staff and economic programmes.

This will be on top of proposals for a 3.7 per cent cut in its 1997 budget discussed by representatives of its 28 member countries in Paris yesterday. Its budget this year was FFr1.1bn ($210m).

The cuts have been forced by the decision last year by the US, the biggest contributor to the OECD budget, to scale back its contribution by 2.5 per cent.

This led to similar reductions by all countries, and followed several years of budget freezes.

Mr Jean-Jacques Noreau, OECD executive director, said yesterday: "We need to be in a position by next summer to be able to lay out a proper mid-term vision which enables us to look ahead to 1998, 1999 and 2000."

There is still uncertainty about whether the US will propose further cuts to its contribution this year and how other members would react if it were to do so.

The US accounts for about one quarter of the overall budget. Japan, which is the second biggest contributor, accounts for just under a quarter. Japan has been reluctant to become the largest donor, but has also signalled that it does not wish to copy the US with big cuts of its own.

Next year's cuts mean the loss of 75 administrative posts. About FFr40m is expected to be saved from cuts to support services, while rationalisation of the organisation's "outreach" programme is expected to save about FFr10m. Other discretionary spending cuts will yield FFr5.7m.

Egypt cancels cement sell-off

By Sean Evers in Cairo

The Egyptian government's commitment to relinquishing control of its large public sector was called into question yesterday when, after a six-month bidding process, it abandoned its most significant strategic sale to date.

A £600m bid from France's Lafarge Coppée, one of the world's leading cement plant operators, for a majority stake in Ameriya Cement Company was rejected.

Dr Ateif Ebeid, minister of Public Enterprise, said: "Although Lafarge made a good offer, it was too difficult for us to make a decision based on one offer. We had nothing to compare it to and so we have decided to cancel the sale." Previously, all official announcements relating to this sale had stated that the government had received four offers.

Analysts have expressed extreme disappointment with Egypt's decision. They believe that its credibility in the international investment arena will be seriously damaged.

In May Metallurgical Industries Company (Micor), a public sector holding company, invited bids for 40 to 65 per cent of the very profitable Ameriya Cement Company. The market embraced this move as an indication that the government's commitment to privatisation was real. It quickly became the programme's flagship.

Lafarge Coppée, Belgium's CBR and two Egyptian companies submitted offers.

An official from EFG-Hermes Investment Bank, advisers to the government on the transaction, confirmed there were four offers, but said only Lafarge's bid met all the criteria, especially on price.

Mr Samer Berekdar, head of Middle East operations at Lafarge, expressed his company's "great disappointment".

"Privatisation in Egypt is much more complicated than we expected," he added.

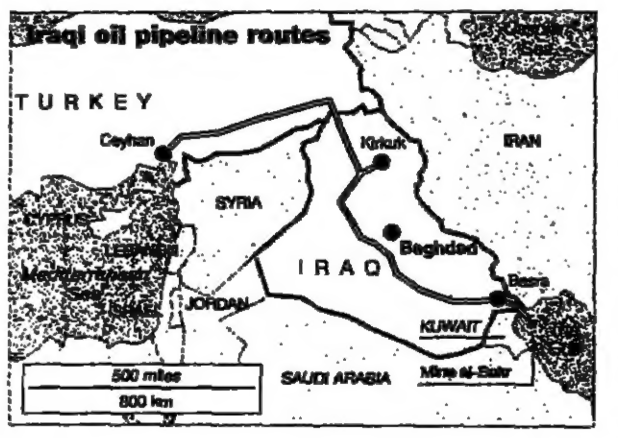
Last technical obstacles fall away as Baghdad withdraws objections to terms of UN inspection

Iraqi oil exports set to resume in January

By Robert Corzine in Vienna and Roula Khalaf in London

Resumption of Iraqi oil exports under the oil-for-food deal agreed with the United Nations is not likely to begin before January, western diplomats said yesterday.

The Iraqi government on Monday resolved outstanding technical snags holding up the deal, under which Iraq can sell $2bn worth of oil over six months to buy food and medicine.



The deal was agreed with the UN in May. But the US had been withholding approval of the oil pricing mechanism submitted by Baghdad to pressure it into giving up its objections to technical parts of the agreement.

The UN then put the deal on hold after Iraq's August incursion into the Kurdish north.

US officials said yesterday Iraq now appeared to have dropped its demands for reducing the number of UN observers who will inspect distribution of humanitarian goods as well as its insistence on monitoring the observers' freedom of movement and approving Iraqi staff hired by UN agencies. This in turn allowed the US to remove its block on the pricing formula.

Mr Boutros Boutros Ghali, the UN secretary general, will this week submit his interim report on the security situation in the north. He is expected to declare that the north has stabilised, thus removing the last stumbling block to implementation of the oil-for-food arrangement.

UN monitors will also have to make inspections to check whether repairs to the oil pipeline from Iraq to Turkey have been completed and ensure that oil metering equipment on the Iraqi-Turkish border is functioning.

Delegates arriving in Vienna yesterday to attend this week's meeting of the Organisation of Petroleum Exporting Countries were reluctant to comment publicly on the Iraqi move, although one Iranian official said he doubted whether it would make a big impact on prices.

Although Baghdad's decision to accept the UN terms came as a surprise to Opec delegates, the group has already laid the groundwork for Iraq's re-emergence as an oil exporter.

Last June Baghdad was awarded a production quota that should be more than sufficient to accommodate Iraqi exports, which at current prices would probably be around 500,000 barrels a day.

But any weakening of world prices would raise the export levels, as the UN plan is based on a value, rather than volume figure.

One Iraqi official in Vienna yesterday said Baghdad was ready to export oil as soon as it received the final go ahead from the UN. Many of the preparations for exports had been completed by last September, when the UN plan was suspended. Large amounts of Iraqi oil are reported to be in storage at the Turkish port of Ceyhan ready for export.

Oil industry traders said the arrival of Iraqi oil at the start of the northern winter, when petroleum demand is at its annual peak, should limit any slide in oil prices, although many have predicted falls of around $2 a barrel when the oil in fact reaches the market.

The impact of the Iraqi exports on prices could be substantially greater in the second quarter of next year, when oil prices generally weaken with the approach of spring.

Netanyahu calls time on champagne lifestyle

Israeli consumers must curb spending or the trade gap will yawn wider, writes **Judy Dempsey**

Mr Benjamin Netanyahu's Israeli government is hoping its planned cuts in public expenditure will force Israeli consumers to curb their spending. It will not be an easy task.

"The Israelis are acting as if there is champagne every day," said Mr David McWilliams, chief economist at UBS. "They spend, spend, spend. No wonder the current account deficit is swelling." The deficit as a percentage of gross domestic product is expected to grow from 4.7 per cent this year to more than 5.4 per cent in 1997.

Israelis saw little reason to save during the 1980s when inflation reached 444 per cent. Those who did invested their savings in provident funds, long-term savings which were fixed for periods of between 10 and 15 years and which received interest free of tax.

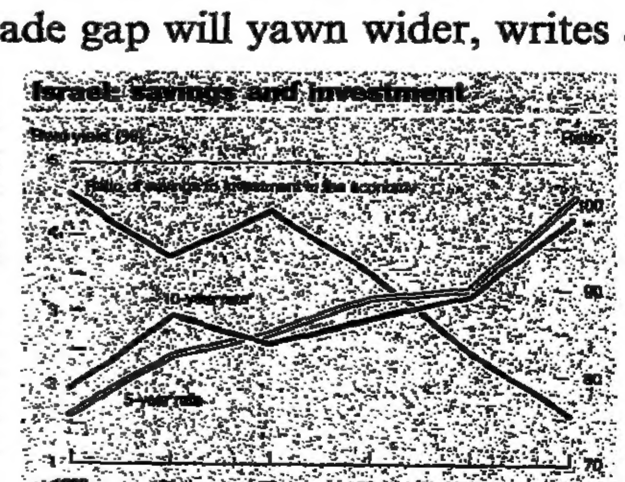
Until 1994, when the Tel Aviv stock market crashed, these funds were making a real annual return of between 4 and 5 per cent. That crash, combined with the attraction of CPI-linked bonds and short-term deposits, caused a run on the provident funds. Returns declined and by last January the funds were showing a negative real yield of between 2 and 4 per cent. As a result, savers jumped ship, redeeming Shk12bn over the past 10 months, almost twice the amount redeemed for all of 1995 and representing more than 10 per cent of the Tel Aviv Stock Exchange.

Those who redeemed the funds invested 50 per cent in liquid funds, or short-term deposits. The remainder was channelled into financing personal consumption, such as imported cars and white goods, which has fuelled the current account deficit. Moreover, even though growth in the economy will fall from 7.1 per cent last year to 3.8 per cent this year, consumption has remained stubbornly high. Mr Amir Hessel, head of research at Batucha Securities, said consumption would grow 7.8 per cent in 1996 compared with 7.2 per cent in 1995.

"The Israelis have not yet stopped spending," he said. "The public is casting a vote of no-confidence against provident funds, signalling a change in public preferences regarding investments," he added.

As a percentage of GDP, private savings have fallen from 22.8 per cent in 1980 to 20 per cent this year. And as a percentage of net disposable income, they have fallen from 10 per cent to 5.1 per cent over the same period.

But the crisis in the provident funds is only one reason behind the current low savings rate among Israelis. The impact of the 750,000 Russian immigrants is also a critical factor. "When they came in the early 1990s, they had no jobs," said Mr Hessel. "Now they have. They are spending. They are trying to catch up with the Israeli standing of living. This explains the high level of consumption as well as the enormous pressure on the current account deficit."



Furthermore, the peace process led to a sharp rise in foreign investment and growth, best illustrated by the rapid explosion of large shopping centres, which offered Israelis a wide variety of imported goods.

"It is hard to pin down Israeli attitudes toward saving," said Ms Rifka Alisco, head of the investment division at Bank Leumi. "They want to improve their living standards, to travel abroad, to buy an apartment – and do all that now."

Other economists believe the deeply ingrained sense of uncertainty about the future, influenced by the permanent instability in the Middle East and poor fiscal management in the past, are other reasons why some Israelis have been reluctant to save. "For what, if they do not believe in the future?" said Ms Daniella Finn from Batucha Securities.

Whatever the reasons for the recent fall in savings, the finance ministry remains determined to woo back Israelis to long-term savings and cut consumption through deep cuts in public spending and a possible tax on short-term savings.

The omens for achieving this do not look good. Having had a taste of the good life during the first half of the 1990s, economists believe the Israelis are not yet prepared to tighten their belts.

Nor, for that matter does the government appear committed enough to forcing through its planned tightening of fiscal policy.

And if the peace process unravels and the prospect of greater instability looms, Israelis might see even less reason to save for the future, leaving Mr Netanyahu with his current account deficit troubles unresolved.

NEWS: ASIA-PACIFIC

Ex-banker to take Thai finance post

By Ted Bardacke in Bangkok

Thailand's new prime minister, General Chavalit Yongchaiyudh, yesterday said he would appoint a former banker, Mr Amnuay Viravan, as the country's next finance minister but conceded that other key economic jobs would have to be shared with his coalition partners.

Two allies of Mr Amnuay – both drawn from outside the political establishment – were also named yesterday, 10 weeks after Gen Chavalit's narrow election victory.

Mr Narongchai Akrasanee, an economist who is a member of the "eminent persons" group in the Asia Pacific Economic Co-operation (Apec) forum and head of the brokerage company General Finance & Securities, will become commerce minister. Mr Sompop Amatayakul, former chairman of IBM (Thailand), was named deputy industry minister.

At the same time, Gen Chavalit unveiled a significant foreign policy initiative, saying he would travel to Burma to urge that country's military junta, with whom he has a close relationship, to begin a process of democratisation.

In 1988, Gen Chavalit, then commander of the army, was the first senior international politician to visit Thailand's western neighbour after a bloody crackdown which killed thousands. He urged the Burmese to hold elections; they did in 1990 but subsequently annulled them.

"Now I have to tell them: I'm your best friend. We have a very long relationship [but] you can't stay on like this any more. [Have elections] like you did six or seven years ago," he said.

His remarks were echoed by US President Bill Clinton, whom Gen Chavalit met briefly yesterday. In a speech, Mr Clinton, returning home after attending the Apec summit in Manila, said: "Every nation has an interest in promoting true political dialogue in Burma, a dialogue that will lead to a real fight against crime, corruption and narcotics and a government more acceptable to its people."

Gen Chavalit, who had previously said Mr Amnuay would be given freedom to choose key ministers, said: "I keep my word. But at the same time it's open also. Dr Amnuay will be the team chief... and will take responsibility on economic matters."

The economic portfolios in the new cabinet have been divided equally between the two main parties in the ruling six-party coalition.

Mr Amnuay is nominally the appointee of Gen Chavalit's New Aspiration party, the dominant coalition member. Mr Korn Dabaransi at industry, Mr Suwat Liptapanlop at communications and transport and Mr Prachub Chaiyasan at foreign affairs are members of the Chart Pattana party, the second largest party.

"Confidence will be restored when there is a perception that the right people are in the right jobs and that they are working together as a united team for the benefit of their country," he said.

Singapore PM urges greater competitiveness

By James Kynge in Kuala Lumpur

Singapore's state-owned telephone company announced price cuts of 46 per cent for foreign calls yesterday in a move designed to sharpen its competitiveness. The announcement coincided with a warning by Mr Goh Chok Tong, Singapore's prime minister, about the city-state's waning economic competitiveness, especially in the electronics sector.

"We have been having it good for too long. Some people may think miracles happen all the time," Mr Goh was quoted by Singapore's Straits Times newspaper as saying during the Asia Pacific Economic Co-operation (Apec) summit in Manila.

The telephone tariff cut by Singapore Telecom, the state monopoly, is the kind of initiative many local companies are being forced to take to maintain their own and the country's competitiveness, economists said.

The price cuts – effective from January 1, 1997 – will be the fourth in a year by Singapore Telecom, which is set to lose its monopoly in 2000 as the local market opens to foreign competition.

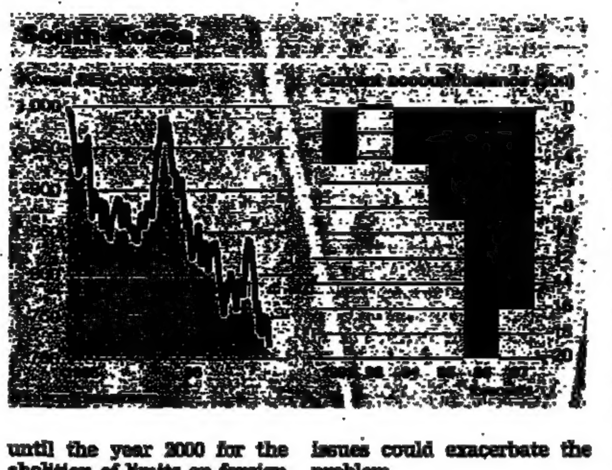
Mr Goh said it was necessary to identify the underlying causes of competitiveness problems which, he suggested, should cover the issue of whether the Singapore dollar is over-valued and the problem of high rental costs and to what extent other countries in the region are catching up with Singapore.

Singapore has by far the highest per capita income in south-east Asia, while its infrastructure and workforce are also widely regarded as the most efficient in the region. But rising manufacturing costs, as well as a global slowdown in demand for electronics goods, have contributed to a sharp slowdown in economic growth this year.

Under yesterday price announcements, calls to Malaysia and Japan are to be cut significantly, Singapore Telecom said. Some 100 foreign destinations, including the US and UK, will be affected by the cuts.

Reforms in prospect as S Korea set to join OECD

By John Burton in Seoul



The South Korean parliament yesterday approved Seoul's membership in the Organisation for Economic Co-operation and Development, removing the last hurdle to joining the club of advanced industrial nations.

OECD membership is expected to force Korea to open its financial markets and deregulate its economy. But analysts believe it will still take years to implement these reforms.

Of particular concern to foreign investors is what impact membership will have on the Seoul stock market, which yesterday fell to a three-year low.

In theory, the bourse should benefit as foreign shareholding limits are raised and as a fall in interest rates, caused by an opening of the bond market, increases market liquidity. "The future of the market could be very bright," said Mr Henry Morris of Coryo Investment & Securities.

But this is unlikely to happen soon under the government's current financial liberalisation schedule. Foreign investors will have to wait until the year 2000 for the abolition of limits on foreign shareholdings in listed Korean companies.

Moreover, the government has refused to open the bond market completely to foreign investors until the gap between high Korean interest rates and low overseas ones narrows to two percentage points from its current 6-7 per cent. Officials admit this is not likely to occur until after 2000.

In the meantime, the stock market is expected to be plagued by a continued shortage of liquidity that has depressed the bourse. An expected wave of new share issues could exacerbate the problem.

Any improvement in the stock market is likely to be gradual over several years. Mr Park Jae-won, head of research at Hannuri Salomon, predicts a market recovery as the government slowly reduces interest rates in preparation for full financial liberalisation. The government has promised to cut interest rates from 12 per cent to at most 9 per cent by 1998.

Some observers predict that financial liberalisation could occur sooner than expected as OECD membership strengthens the position of economic reformers in the government. "The OECD entry will make it more likely, rather than less likely, that financial liberalisation will be accelerated, even in the teeth of a recession," said Mr Cristoforo Rocco, head of Schroders Securities in Seoul.

The parliamentary debate on membership reflected those fears. Opposition parties argued that Korea was ill prepared to join the OECD. They claimed the opening of the financial market would destabilise the economy and weaken international competitiveness as huge capital inflows would strengthen the currency to the detriment of export industries and push up inflation and wage rates.

Korea's current economic problems, with a slowdown in growth and a widening trade deficit, have increased caution about proceeding with reforms in the near future, particularly when a presidential election is scheduled for late next year.

Although President Kim Young-sam has displayed a strong commitment to economic reforms, it is uncertain whether his successor will share that belief.

Death-by-overwork lawsuits on the rise in Japan

By Gwen Robinson in Tokyo

A court ruling on death by overwork, or *karoshi*, has highlighted a growing problem among executives in Japan.

The Nagoya High Court yesterday upheld a lower court ruling that a 63-year-old businessman had died from overwork more than 13 years ago, and ordered a local labour standards inspection office to compensate his widow with pension payments.

The high court ruled that Mr Yoshikazu Abo, a salesman for an electric equipment company in Nagoya, central Japan, died from overwork in February 1983 while on a business trip to South Korea. In the 17 days prior to his arrival in South Korea, Mr Abo was sent by his company on 20 sales missions throughout Japan. The court rejected the argument put forward by the government's labour standards inspection office that the death was not caused by overwork.

The ruling is the latest in a trickle of *karoshi* cases to have come before the courts. Many more lawsuits are being prepared by the families of deceased victims who, in most cases, are claiming lifetime pensions or large lump-sum compensation payments.

Before compensation can be awarded, the labour inspection office must acknowledge that the death was work-related.

In perhaps the most worrisome trend for corporate Japan, the National Police Agency has named "work-related problems" as key factors in the increase in suicides among 50-59 year-olds during 1995.

Suicides specifically related to work are also rising, although only two such deaths have so far gained official recognition. But they have already caused confusion in the insurance industry over how to handle such claims.

One disturbing trend, again highlighted by a recent court judgment, is that the victims are getting younger. The father of the youngest *karoshi* victim so far, a 24-year-old man, was awarded Y126m ($1.1m) from his son's employers.

His father later said: "If the ruling makes even a tiny contribution to transforming Japan into a happier and healthier country, then it will have been worth the struggle."

In another recent ruling, a Japanese court held the former employer of a man who committed suicide over work-related worries fully liable for his death and ordered the company to pay Y126m in compensation to the bereaved family.

Dr Yasuto Aoba, a professor of psychiatric medicine, said the most difficult part of winning a *karoshi* case was proving a sustained – and fatal – level of work-related stress or fatigue. "Depression can be established as the cause of a suicide in cases where someone has been subjected to great stress over a very brief period, but it is difficult to make the same judgment when the stress has been on-going over a long period," he said.

ASIA-PACIFIC NEWS DIGEST

100 top officials in Miti probe

Japan's Ministry of International Trade and Industry (Miti) yesterday launched an inquiry into the activities of 100 senior officials in an attempt to clear up allegations of corruption. The inquiry, announced by Mr Shinji Sato, the new Miti minister, is the latest twist in a saga which has also implicated senior members of the ruling Liberal Democratic party (LDP). Mr Sato promised disclosure of the results.

Miti's probe concerns officials' relations with an Osaka oil dealer, Mr Junichi Izui, arrested on November 7 on suspicion of evading Y330m ($3m) of income tax on questionable oil dealings. The inquiry comes in response to Japanese press allegations that Mr Izui spent lavishly on entertaining ministry bureaucrats in change for supposed business favours. Senior LDP members, including Mr Hiroshi Mitsuzuka, the finance minister, have admitted receiving political donations from Mr Izui, but within legal limits. *William Dawkins, Tokyo*

Vietnamese reforms urged

Restrictive trade practices, slow progress on state enterprise reform and a lack of transparency in government decision-making need to be tackled urgently if Vietnam is to maintain the pace of economic reform and reduce poverty, the United Nations Development Programme (UNDP) said in a report issued yesterday. It comes ahead of a meeting of donor countries next month and amid rising concern that the Vietnamese leadership's commitment to the reform process may be ebbing 10 years after it began.

"The first message is 'stay the course'. The second message is that with an open-door policy, the door swings in both directions," said Mr Roy Morey, UNDP resident representative. Despite its desire to integrate economically with its neighbours, Hanoi maintains a series of tariff and non-tariff barriers designed to shore up its largely ailing state enterprises and shield them from competition. *Jeremy Grant, Hanoi*

■ The Vietnamese government has suspended package tours to Hong Kong for Vietnamese tourists, claiming the trips were being used to flee Vietnam, according to a newspaper report yesterday. The General Department of Tourism said the ban was temporary, the Vietnamese-language edition of the Vietnam Investment Review said. *AP-DJ, Hanoi*

■ Only high-ranking Communist party members and senior government officials will be permitted to own satellite television dishes, Premier Vo Van Kiet has announced in a sweeping decree on access to foreign TV. The decree published yesterday in the Communist party newspaper, The People, said individuals would not be permitted to install home satellite dishes to receive foreign television signals but tourist and business-class hotels designated for foreigners will have permission to receive foreign broadcasts. *AP-DJ*

Indian tobacco chief dies

Mr Kamal Ramnath, chief executive of the Indian tobacco division of ITC, the tobacco conglomerate, died of a heart attack on Monday, a company official confirmed yesterday. He died shortly after he was inducted into an interim management committee, set up to run the the company's affairs, pending finalisation of a management restructuring. Mr Ramnath's inclusion in the committee came after several company officials, including two former chairmen, were arrested in recent weeks on alleged violation of foreign exchange rules in transactions worth more than $100m. *AP-DJ, New Delhi*

Rothwells case convictions

The long-running saga over Rothwells bank, the high-flying Western Australian bank which collapsed in the late-1980s, ended yesterday when a former director and auditor were convicted of conspiring to conceal the investment banking group's financial problems prior to its collapse. Mr Peter Lucas and Mr Louis Carter were remanded in custody for their part in a conspiracy to defraud the public by falsely stating the bank's financial position between 1983 and 1988, when it was liquidated. Rothwells was involved with some of Australia's most prominant entrepreneurs in the 1980s – notably Mr Alan Bond. The conspiracy also allegedly involved Mr Laurie Connell, the flamboyant Rothwells founder, who died of a heart attack in February. *Nikki Tait, Sydney*

NEWS: UK

Cargo giant seeks free skies benefits

By Michael Skapinker, Aerospace Correspondent

Liberalisation of the UK's air freight regimes would reduce the cost of exporting from Britain and generate more than £3bn ($5.1bn) a year in additional sales to Asia, Federal Express, the US cargo company, will tell the British government this week.

Federal Express, the world's biggest freight company, has been campaigning for the right to fly goods freely from the UK to other countries. The campaign has been supported by Scottish industrialists, who say flight restrictions hamper their export efforts and threaten to make the UK less attractive to investors.

At present, US freight carriers can transport goods from the UK to only nine countries – Lebanon, Jordan, Syria, Iran, Iraq, Turkey, Germany, Belgium and the Netherlands.

In a report to be presented to the government, Federal Express says the UK has restricted US carriers' cargo flights to protect the freight businesses of local companies such as British Airways. Federal Express argues that BA's cargo business is relatively small and most of its freight is carried in the holds of passenger aircraft. The US all-freight carriers, such as Federal Express and United Parcel Service, could offer UK exporters dedicated cargo services, the report argues.

It says: "This is especially true for routes into Middle and Far East markets where manufacturing trade growth is strongest but tourism has not developed on an equal basis. For example, neither Philippine Airlines nor British Airways flies more than four times a week from London to Manila."

It says many UK exporters have to ship freight to London by road for onward transport by air, adding to costs and increasing the time taken for goods to reach customers. Goods shipped from the Netherlands, which allows free flights abroad, reach Beijing a day earlier than those sent from the UK.

The liberalisation of cargo flights has been held up by the UK's resistance to US demands for greater access to London's Heathrow airport under an "open skies" agreement. Federal Express says this should not prevent the liberalisation of cargo services, which operate from regional airports.

Whisky distiller rejects change

Tradition will survive the takeover of one of the last independents

Life has moved with blinding speed recently for Macallan Glenlivet, considered one of the best single malt Scotch whiskies.

Within weeks it lost its independence to Highland Distilleries in a £180m ($304.2m) takeover and nearly 30 per cent of its staff in a subsequent reorganisation. Yet hardly anything has changed.

Macallan still uses rare barley and the second-smallest stills in the world to produce a distinctive spirit at a cost at least 10 per cent higher than other whiskies.

"We don't know the full extra cost but we don't care because Macallan sells at a premium of at least 10 per cent," said Mr Brian Ivory, chief executive of Highland. "We will make absolutely no change in the process."

Highland, best known for its Famous Grouse whisky which uses Macallan malt in its blend, wants the distiller for its high quality spirit, its large stocks and its strong brand.

The financial strain of such ambitions was the undoing of the independent Macallan. To finance a build-up of its stocks, it launched two rights issues in the mid and late 1980s.

Highland has been criticised for what has been seen as an opportunistic bid. It replies that Macallan sowed the seeds of its own demise through a financial strategy that had ceded control but had starved the company of resources needed to develop the brand around the world.

Tensions rose when Highland took control and found what it termed "an amount of overmanning and double manning" at Macallan.

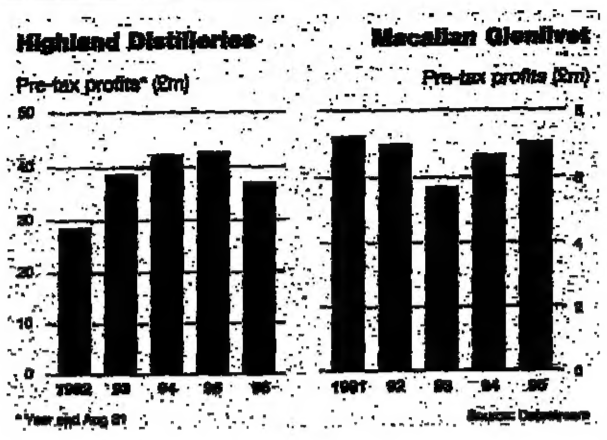
Macallan's sales and marketing people were moved to Perth where Highland's sales and marketing arm, Matthew Gloag, is based. Highland has added more people and linked them into Gloag's global resources.

Some links were already well established – Highland distributes Macallan in the UK and Remy sells it in the US where its print advertising is highly idiosyncratic and successful.

Before the takeover, Macallan's total sales were growing at about 10 per cent a year. Mr Ivory declined to say how much room for growth Macallan's slowly maturing stocks allow.

Even with a tripling to £98m of the book value of Macallan's stocks over the past decade, the company may need to cut back on its sales of spirits to other producers to meet demand for its malts. One indication of the company's potential is that Macallan's malts generate, one analyst estimates, export profits similar to Highland's Famous Grouse blended whisky, but on one-ninth of the volume.

Roderick Oram



UK NEWS DIGEST

Scientists expect early end to BSE

The epidemic of BSE or "mad cow" disease in British cattle could be over by the middle of 1998 if the cull of animals over 30 months old is adjusted to target those at greatest risk of infection, scientists said yesterday.

Professor Roy Anderson and colleagues from Oxford University's Centre for the Epidemiology of Infectious diseases told a meeting at the Wellcome Trust in London that their latest research showed the UK's existing "over 30 month scheme" had gone further than expected in removing infected cattle from the food chain.

Only 150 cattle under 30 months old were still infected with BSE, Prof Anderson estimated. About 1m animals were infected during the epidemic.

He added that the existing scheme had probably already met the conditions set by June's European Union summit for a selective slaughter of animals most likely to develop BSE. "The only reason we cannot be certain is that we do not have data for the ages of the animals culled," he said.

Prof Anderson, the leading UK expert on the spread of infections, said it was still too early to predict the course of any human epidemic of Creutzfeldt-Jakob disease caused by eating infected beef. So far, there have been 14 confirmed cases of "new variant" CJD linked to BSE.

The Wellcome Trust meeting brought together European specialists in spongy brain diseases. They agreed that a high priority was to survey the extent of scrapie, the equivalent of BSE in sheep, in flocks throughout Europe in preparation for a long-term plan to eradicate scrapie.

Although there is no evidence that scrapie-infected meat has infected people, it remains a theoretical possibility – particularly if a more virulent strain of the disease, originating in cattle, has crossed into sheep.

Clive Cookson

Irish president is accused

President Mary Robinson of the Republic of Ireland was accused yesterday of promoting a republican agenda during her regular visits to Northern Ireland by Mr David Trimble, leader of the Ulster Unionist party. He said she should stay away unless she was prepared to adhere to the "proper protocol".

Mr Trimble said on a BBC television programme that Mrs Robinson visited in her official capacity as president without the proper protocol of being met by a representative of Queen Elizabeth.

She was welcome to visit in a private capacity or on a proper official visit, he said. To visit in an ambiguous manner, however, where it could be interpreted that the republic's constitutional claim to Northern Ireland was being "thrust down people's throat", was not welcome, he said.

Mrs Robinson has visited Northern Ireland 16 times since becoming president of the republic six years ago.

She said on the programme that she had no political agenda in visiting Northern Ireland. "I would like to be genuinely believed for what is the core of my interests, which is one of friendship."

Adams seeks police damages

Mr Gerry Adams, president of Sinn Féin, is claiming £10,000 ($16,900) damages in a court action against the Royal Ulster Constabulary, the Northern Ireland police. The claim arises from a police "curfew" in Belfast last July when he alleges he was held at a police roadblock for four hours. Mr Adams is claiming damages for false imprisonment, trespass to his person and "misfeasance" by RUC officers.

Credit card spending up 28%

Consumers spent £7.5m in the UK last month using their credit and debit cards, an increase of 28 per cent compared with the same month a year ago, according to the Credit Card Research Group, which is funded by credit and debit card issuers.

Most was spent on food and drink, which accounted for £1.9m in October, 19 per cent more than in the same month last year.

There were big increases in spending on clothing, which rose 34 per cent in the year to October, and on household goods which rose 29 per cent. Entertainment accounted for about £428m of credit and debit card spending, 31 per cent more than in October last year.

The sharp increases match the buoyant picture of the economy, with growth led by consumer spending. Rising house prices, lower unemployment, higher personal incomes and lower interest rates mean the consumer is now more prepared to spend on services and high street goods.

Graham Bowley

Judge tells ministry to pay

Blue Circle, Britain's biggest cement manufacturer, was yesterday awarded £6m ($10.1m) damages from the Ministry of Defence after land owned by the company next to the Atomic Weapons Establishment at Aldermaston in southern England was contaminated by radioactive materials. Costs were also awarded against the ministry. The final bill is expected to be about £7m.

A High Court judge in London ruled that the intended sale of the Blue Circle site for £10m to Sun Microsystems, the US computer manufacturer, fell through as a direct result of the discovery of the pollution. High levels of plutonium and uranium were found on the site owned by Blue Circle, after ponds on AWE land nearby burst their banks during a rainstorm in July 1989.

The AWE, part of the Ministry of Defence, is responsible for manufacturing nuclear warheads for Trident submarines. Its site is next to Blue Circle's land.

The extent of the contamination was not revealed to the cement company until 1993 when it was in the process of agreeing a sale, Blue Circle told the court.

John Mason and Andrew Taylor

Investment 'set to fall in N Ireland'

By John Murray Brown in Dublin

Investment by Northern Ireland companies is expected to fall over the next 12 months, with manufacturers expecting higher interest rates, says the latest quarterly survey of business prospects in the region by PA consultants.

It found that although spending would be higher in the clothing and footwear sectors, manufacturing investment overall is projected to fall by 4 per cent.

The meat industry, in particular, is badly hit by the BSE or "mad cow" crisis, with investment levels projected to drop by more than a third over the next 12 months.

The survey of 100 companies, representing half of the region's 520,000 workforce, is the most comprehensive analysis of business confidence there.

The number of jobless in the region is 10.7 per cent of the workforce, the lowest level for 15 years.

Mechanical engineering, one area in which Northern Ireland has traditionally been strong, recorded the strongest output of any sector, with turnover up 22 per cent on the same period last year.

Short Brothers, the aerospace company, is also reporting strong output, in spite of the collapse of its supply business with Fokker, the Dutch aerospace company which was put into liquidation earlier this year.

Eurosceptic scorns 'pro-single currency Budget driven by Ken Clarke's obsessions'

Chancellor keeps his eye on Europe

By Robert Peston, Political Editor

The chancellor yesterday defied the prevailing views in the governing Conservative party by announcing a budget which will make it easier for the UK to participate in a European single currency and which was comparatively restrained in its attacks on public spending.

In a speech which seemed designed as much to infuriate the Tory party's right wing as the opposition Labour party, Mr Kenneth Clarke snubbed those of his colleagues looking for big reductions in the basic rate of income tax.

He teasingly disclosed that he had the resources "to take 2p off" the basic rate had he wanted to. But he preferred to announce a penny reduction, as expected, together with a package of measures on thresholds and tax bands aimed at those on lower pay.

He claimed his "overriding aim" was "the lasting health of the British economy". In the immediate aftermath, his colleagues loyally declared that they felt his focus on cutting public borrowing was a vote winner as well.

However, there were signs of discontent brewing beneath the surface, particularly because Mr Clarke chose to cock a snook at the Eurosceptics. "By happy coincidence," he said, "we will meet the Maastricht debt and deficit criteria in 1997", so that the UK would be in a position to join a single currency in 1999.

Tory Europhobes fear it is no coincidence that the pro-European Mr Clarke should have chosen to allocate savings from spending cuts and the abolition of tax loopholes to reducing public borrowing, rather than giving away more in tax cuts.

"This is a pro-single currency Budget driven by Ken Clarke's obsessions," said a colleague of Mr John Redwood, a former minister and backbench spokesman for much of the Tory right.

If Mr Clarke was perhaps too frank showing his personal priorities, he was disingenuous in his description of the scale of spending settlement, which had been "as tight as any" he could remember, "eye-wateringly tight".

Treasury officials, normally loyal to a man they respect, were scornful of what they described as his "hyperbole". One said that "Mr Clarke had forgotten he is supposed to be a Tory" and that the cabinet had shied away from the really tough spending choices.

Once again, Mr Clarke's personal agenda – as a traditional "one nation" Tory – was displayed here, as he made great play of the increased resources that were being made available for hospitals, schools and the police.

Perhaps the starkest example of increasing distance from fashionable government thinking was his dismissal of suggestions for draconian reform of the social security budget.

While effectively ridiculing new right thinking, he had no scruples about borrowing a tax-raising initiative – a probe of "big sophisticated companies" which "seem to pay so little tax" – originally proposed by the Labour party's shadow chancellor, Mr Gordon Brown.

'Judicious' and 'prudent' say business leaders

By Peter Marsh

Top business leaders last night gave the chancellor high marks for a "prudent" and "sound" Budget – but said that Mr Kenneth Clarke had provided few specific measures to aid commerce and industry.

Mr Tony Hales, chief executive of the Allied Domecq retailing and alcoholic drinks company, said it was a "judicious" Budget for business.

"The measures on reducing alcohol duty should help the drinks industry, and I welcome the efforts to crack down on cross-Channel smuggling of alcoholic drink," he explained. The Budget "got the balance right by giving a bit away in tax cuts but also cutting back on public spending".

Mr Peter Jarvis, chief executive of Whitbread, the brewing and leisure company, introduced a note of caution. "The best I can say about the chancellor's policies on drinks duty is that they are inconsistent," he said. "Appointing a few new Customs officers will do nothing to stop the flow of illegal imports."

Mr Christopher Haskins, chairman of Northern Foods, said: "This has been a sound Budget for business, as no doubt the financial markets would have insisted. The prediction that the UK will meet the Maastricht criteria will enable a new government, if it chooses, to join a single currency from the outset. I find this very encouraging. If the forecasts are to be believed, public finances remain under control despite strong consumer demand."

Sir Stanley Kalms, chairman of electrical retailer Dixons, said the Budget was the most predictable he had ever heard. "But it was very sensible and professional," he added. "Consumers are overall in a robust mood and do not need much stimulation."

Sir Ronald Hampel, chairman of Imperial Chemical Industries, said: "I welcome the overall cautionary stance of the Budget. It is not a Budget for change, but one for economic growth, which is essential in today's world of sluggish growth in the industrialised countries. The cuts in public expenditure and small increase in [tax] revenues should enable the economy to continue to expand without giving rise to undue risks of inflation."

Sir David Simon, chairman of British Petroleum, said the Budget was generally responsible and would help maintain the UK's competitive position.

UK financial markets gave a rather tepid response to the Budget, which was broadly in line with expectations, our Markets Editor writes. Traders' attention was distracted by Wall Street where shares suddenly headed lower.

The FTSE 100 index, which was more than 30 points ahead when the chancellor of the exchequer started speaking, dropped back to end only 13.8 higher at 4,068.4, short of its all-time closing high of 4,073.1. Earlier, the index, which has been rallying in recent sessions in anticipation of a prudent package, notched up an all-time intraday peak of 4,094.4.

A significant reason for the decline was the performance of the Dow Jones Industrial Average, which was about 40 points higher in early trading, but was down nearly 40 by the time the chancellor finished speaking.

Sterling continued its recent rally, rising to 93.2 on a trade-weighted basis, from 92.8 at Monday's close. The pound was flat against the dollar but gained about 1¼ pfennigs against the D-Mark to DM2.557.

Mr Danny Rosenkranz, chief executive of the BOC gases and vacuum technology group, praised Mr Clarke's prudence and welcomed the measures aimed at helping small businesses. "We are pleased the chancellor has been restrained in the measures he has taken but despite talk of fiscal prudence, there is still reliance on monetary policy, which could lead to higher interest rates and a firmer pound – an issue for UK industry," he said.

Mr Barrie Stephens, chairman of the Siebe engineering group, gave Mr Clarke "eight out of 10" for being a "good housekeeper" of the UK economy, and said he was relieved the Budget was not transparently vote catching.

Sir Clive Thompson, chief executive at Rentokil Initial, the business services company, said: "We have to be careful that the economy is not overheated by the strength of domestic consumer demand which would put further pressure on interest rates. I therefore welcome a moderately tight Budget."

Mr Duncan Davidson, chairman of the house building group Persimmon, said the Budget contained a "sensible" set of measures which he thought "would appeal" to most people in Britain.

Ashley Ashwood

Upholding tradition: Kenneth Clarke, accompanied by his wife Gillian, poses for photographers in Downing Street in the attitude adopted by almost all 20th century chancellors before making their speech in the House of Commons

Stationery Office may have been the source of security breach

Documents leaked to newspaper

By Our Political Staff

The top-level inquiry into the leak of Mr Kenneth Clarke's Budget was last night focusing on the possibility of a security breach at the newly-privatised Stationery Office.

As the Treasury and the Cabinet Office began investigating the most serious leak from the UK government machine for decades, officials said a leak from the company – formerly known as Her Majesty's Stationery Office – was emerging as a strong possibility.

The documents were sent on Monday to the Daily Mirror, a newspaper which supports the opposition Labour party. They were supposed to be kept secret inside the government machine until after Mr Clarke's speech to the House of Commons.

Mr Piers Morgan, the Mirror editor, instructed his journalists to obtain confirmation that the 94 pages of government documents were genuine, and the Mirror sent specimens to the prime minister's press secretary. "We were pretty horrified," said a senior government official, commenting on the leak.

The Treasury's lawyers then obtained a court injunction to prevent the Mirror from publishing. "It's the odds-on favourite it was done through the printers," said a government official.

The Stationery Office refused to respond to detailed questions on the leak. A spokesman for the company, which was sold off seven weeks ago, said it was "conducting an independent investigation" into the allegations and "co-operating with the Cabinet Office and the Treasury in its inquiry".

It was also pointed out that a breach of security from the Stationery Office would be extraordinary. Even after privatisation, its staff are positively vetted and most are still obliged to sign the Official Secrets Act.

The company remains the dominant printer and distributor of parliamentary documents including the daily Hansard report of parliamentary debates.

However, the Stationery Office, sold to the Electra Fleming consortium for £54m ($90m), has been the source of much political controversy. There was anger among the workforce last Friday when the company announced it would be shedding 950 jobs out of a workforce of 2,500. The sell-off was resisted by the Labour party.

Towering over a parliament of puppets

It was not his best Budget but the chancellor is a politician with rare guts, says Philip Stephens

How Kenneth Clarke enjoys himself. He is at war (yet again) with his party's sceptics over a single European currency. Details of his Budget are leaked the night before. And his mood? As irrepressible as ever. In a parliament of pygmies Mr Clarke is the punter's politician, a joy to behold. If optimism won elections, the Tories would be certainties at the general election next spring.

But the chancellor's enthusiasm is not enough for a government in such dire straits. Nor is a single Budget. The tax and spending tricks of Mr Clarke's trade have lost their magic. It may once have been possible to bribe the electorate with its own money. But the voters have been burned too often. After the broken promises of the 1992 election, they have wised up.

So Mr Clarke's package changes not much at all as far as the next election is concerned. It is a bits-and-pieces Budget, more skilful in its construction than powerful in its impact. The overall performance of the economy, not 1p off the basic rate of income tax, will count on polling day. The chancellor knows it.

This was not the bravest of his four Budgets. If he had stuck firmly to his belief that good economics and good politics are indivisible, there would have been no tax cuts at all. The chancellor's fiscal arithmetic relies too much on smoke and mirrors to pay for lower personal taxes.

But the glummish countenance of the populists on the Tory backbenches told us that he had probably done as little as politics (and the prime minister) would allow. The prospects for public borrowing are nothing to boast about at this point in the economic cycle. But with deliberate mischief, Mr Clarke said Britain would still squeeze under the public borrowing and debt ceilings set in the Maastricht treaty.

He was skilful too in the distribution of his lollipops. He could have reduced the basic rate by 2p. But he chose to spread the money around, widening the 20p rate band, handing a little more to married couples and lifting the thresholds for the poor. These were the rewards for hard-working Britain, he told us. From anyone else, that would have sounded condescending. Mr Clarke carried it off.

The Labour party's response was the obvious one. Whatever the Conservatives may promise now, look at the record of the past few years. The average family still pays more in income tax than it did before the last election. And that is before you count the hefty increases in indirect taxes.

The Conservatives, though, have set out their stall. The pressure will now be on Gordon Brown, the Labour shadow chancellor, to display his wares. Mr Brown has already indicated that Labour will not vote against the 1p reduction in the basic rate. Nor will it oppose the changes in thresholds. But it has also promised a 10p or 15p starting rate. When? Labour's leaders must also agree whether to propose a top rate higher than the present 40p.

This unseemly, and fundamentally dishonest, tax auction will take place against the background of the least credible public spending settlement in living memory. Mr Clarke has ransacked every available Whitehall budget. Health, schools and the police have done better than most, but almost every other service faces a cut in real resources. Britain's cities, schools, hospitals, roads and the rest will become shabbier still. But the politicians will not own up to that: to do so would be to admit that taxes must rise rather than fall, or that the state will eventually withdraw completely from some provision.

Mr Clarke's most important gamble, though, is on the economy. The government's last hope of a political miracle lies in the continuation of the present conjunction of robust economic growth and (relatively) subdued inflation. Here, the Treasury's forecasts are only half-believable. The consumer boom has started. Real incomes are rising and the housing market is on the up. Commonsense tells us that the chancellor will soon have to apply the interest rate brakes.

The odds are that this was Mr Clarke's last Budget. If that is so, it will not be remembered as his best. But twice in the House of Commons this week his demeanour has reminded us he is a politician with rare guts. The pity is that most in his party do not realise it.

UK BUDGET DIGEST

Air passenger tax to double

Airport departure tax is to double from November 1 1997. The travel industry was united yesterday in condemning the government for the rise from £5 to £10 ($16.90) for those travelling within Europe and to £20 from £10 for departures to the rest of the world.

American Airlines said: "We think it's a great shame that the government is raising money in this way without putting it back into the aviation industry." British Airways said: "This tax, which discriminates against air travel, is highly unpopular and penalises one of our most successful industries. It has already had a damaging effect on our industry."

BA said the increase meant the UK would have the highest airport departure tax in Europe. The departure tax in Norway is equivalent to £13, in Belgium it is £10 and in Austria £8. The European average is £6. The UK Federation of Tour Operators, which represents the largest tour operators, blames a fall in the number of British package holidaymakers visiting other countries from 14m last year to 13m this year on the introduction of the tax in November 1994. It estimates a further fall of another 1m holidays in 1998.

However, Mr Kenneth Clarke, the chancellor, said that business travel was soaring and holiday travel booming. He said the increase would not affect the travel industry's growth. Mr Clarke said that 40 per cent of the revenue from the tax was paid by passengers from outside Britain.

The British Tourist Authority, which promotes Britain as a destination, warned that the duty would erode the country's competitiveness. "The departure tax simply puts up the cost of a visit to this country," it said. The airline departure tax had not been raised since it was first announced in the November 1993 budget.

Scheherazade Daneshkhu and Michael Skapinker

Reprieve for World Service

The BBC World Service and the British Council, both subjected to controversial cuts in last year's Budget, won a partial reprieve yesterday which should avoid any need to close council offices or reduce foreign language broadcasting. For next year, the World Service has clawed back £5m ($8.45m) of the £12m that it lost under the previous budget. This should ensure the maintenance of all 45 language services and some extra money for investment in digital broadcasting.

Some £15m will be restored to the council's budget over the next three years, enough to keep all of its missions open as long as efforts to streamline its UK operation are kept up.

Overseas aid will drop to £2.05bn in 1997-98 from £2.2bn in the current year, but officials stressed that bilateral assistance would remain constant over the next three years.

For the Foreign and Commonwealth offices as a whole, a harsh economy drive announced last year has been mitigated, ensuring that no embassies will be closed on cost grounds before 2000. Some £30m has been added to the FCO budget for 1999-2000, to give a real-terms cut by the end of the decade of 9.6 per cent, instead of 12 per cent as previously expected.

Bruce Clark

Income tax cut by penny

Mr Kenneth Clarke delivered a 1 penny cut in the basic rate of income tax yesterday, reducing it to 23 pence, while the lower 20p tax band was widened by £200. Mr Clarke also raised personal tax allowances, increased the number of people paying the lower 20 per cent rate of tax and cut the number paying the top rate of 40 per cent.

Without these changes, he said, he could have taken 2p off the basic rate. He claimed his "virtuous" Budget would make a family on average earnings £370 better off next year on top of inflation. He told MPs: "I'm not going to play Santa Claus, but this year I don't have to play Scrooge either."

Mr Clarke denied that the Budget was designed to get the Tories back into power. His economic policy was aimed at "the next five years, not just the next five months".

Mr Tony Blair, the opposition Labour party leader, said the Tories would still go into the election with taxes higher than they were in 1992, when they promised to cut them.

● Mr Clarke announced that profit-related pay (PRP), introduced almost a decade ago, is to be phased out from the end of 1998. PRP allows the 3.6m staff employed by participating companies to receive the top 20 per cent of their pay, to a maximum of £4,000, tax-free. For a top-rate 40 per cent taxpayer, the tax advantage can be worth up to £1,600 while the gain to a basic rate taxpayer is £960.

Mr Clarke said he could no longer justify the increasing cost of PRP to the 23m taxpayers not covered by the scheme.

Distillers cheer; brewers jeer

Cheers from distillers but jeers from brewers greeted the chancellor's actions yesterday on alcoholic duties. Spirits producers said the 4 per cent cut in duty, knocking 26 pence off a 70cl bottle, added credibility to government and industry efforts to diminish the disparity between high UK rates and lower, or discriminatory rates, in other countries. "We are delighted that the chancellor has continued to set an example to other countries that discriminate against Scotch whisky," said Mr Hugh Morison, director-general of the Scotch Whisky Association.

But the freeze on duty on beer and wine was widely criticised. Producers had sought a reduction to stimulate UK sales and to counter rising imports of low-duty beer and wine from France. A pint of 5 per cent alcohol beer attracts 30.7p of duty in the UK and the equivalent of 4.4p in France. "Freezes are no answer to the problem," the Brewers and Licensed Retailers Association said. "There is no alternative to a phased reduction in UK beer duty to approximate to that in France."

Industry was also cynical about hiring more customs officers. "Appointing a few new customs officers will do nothing to stop the flow of illegal imports," said Mr Peter Jarvis, chief executive of Whitbread, the brewer and pub operator. The 15p increase in duty on 20 cigarettes, taking a typical packet to about £2.40, was expected.

Roderick Oram, Consumer Industries Editor

Science funding unscathed

Science spending will remain steady again next year. The "science budget", distributed by the Department of Trade and Industry through the six research councils, will increase in cash terms by £18m to £1.33bn in 1996-97. In real terms that will result in a small cut.

Sir John Cadogan, director-general of research councils, said: "It is clear that the government's commitment to basic research and to the science and engineering base remains as *strong as ever*."

Clive Cookson, Science Editor

Scant scope for bets

One City gambler bet a record £1,000 per minute on the length of Mr Kenneth Clarke's Budget speech, but in the end no money changed hands. At 75 minutes, the speech was precisely at the top of the spread quoted by City Index, the bookmaker.

If the chancellor had taken more than 75 minutes to outline his forecasts and measures, the same man, a regular City Index client, would have collected £1,000 for each minute. He was liable for the same amount for each minute short of 75.

City Index said it had seen a 10-fold increase in betting from 1995, with bets of £100, £200 or £500 per minute.

Clay Harris

COMMENT & ANALYSIS

FINANCIAL TIMES

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Debtors can't be choosers

Every bank manager knows the pattern. The man with the confident voice leans forward and says: "The economy is picking up, production is increasing, stocks are moving at last and there is every chance of keeping prices down. Honestly, my borrowings will go up by less than last year."

Mr Kenneth Clarke is no ordinary debtor. When he became chancellor in 1993 the public sector borrowing requirement was £45bn, larger in relation to national income than at any time since that caused by the spending spree of his Tory predecessor, Mr Anthony Barber, two decades ago.

In his fourth budget yesterday, one of Mr Clarke's main objects was to reassure the country and the markets that he was at last bringing the public finances under control.

In a robust performance with more than half an eye on electoral prospects of his unruly back benchers, Mr Clarke was able to give some reassurance, although some of his assumptions may prove highly optimistic.

It was courageous given the imminence of the election to present figures which show a tightening of the fiscal stance. Taken together, his tight spending targets, the blocking up of tax loopholes and evasion, and some modest tax cuts will save £1.8bn next year and £3.2bn in 1998-99. This tightening comes on top of a modest squeeze announced in last year's budget.

In the tax cuts which he felt obliged to throw to his party faithful, Mr Clarke was commendably restrained. Despite "giving away" almost £3bn by cutting the basic rate of income tax to 23p and raising allowances, he has been less "generous" in this respect than some Tory predecessors in election years. Geoffrey Howe in 1983 distributed the equivalent of £4bn in today's money – roughly the same as was offered by Nigel Lawson in 1987.

Given the political imperative of reducing the basic rate, the chancellor showed good sense in dividing the giveaway between a headline cut and the less glamorous widening of tax bands. The changes at the lower end will be more effective in taking people out of tax. Clawing back tax by phasing out reliefs on profit related pay was a sensible offset.

However, the chancellor's prudence was no more than a necessary minimum. To loosen fiscal policy in the fifth year of recovery, which the Treasury believes is being accelerated by a big revival of consumer spending, would have been the height of folly.

It would have jeopardised the Tories' important goal of growth with low inflation – one which was thrown away the last time by imprudent expansion in the late 1980s. It would also be quite inconsistent with the Conservatives' oft repeated claim to be the party of reduced borrowing and controlled debt.

Perhaps Mr Clarke, in framing the last budget of this parliament, recalled the words of Geoffrey Howe in 1982. "The thing that has been most consistently put in place has been the manifest determination to reduce the real burden of borrowing", he said. In 1988 it was Nigel Lawson's turn to claim that the government intended to maintain a balanced budget over the economic cycle.

Against this standard, Mr Clarke can hardly have been proud of the figures he presented to parliament yesterday. Despite a determined effort to improve public finances and a good deal of help from a robust economy, the PSBR next year is predicted to be £19bn, some £4bn more than he was expecting a year ago and £13bn more than he expected at the time of his 1994 budget.

Like that indebted businessman pleading for credit, the chancellor keeps putting off the year in which the government's finances will move out of the red. Two years ago he thought it could be done by 1998-99. Now he expects that a surplus will not be achieved before 2000-01.

One of the unhappy consequences is that the national debt is set to rise much faster than Mr Clarke had hoped. The Treasury forecast, published with the budget statement, shows that the government's gross debt next year is expected to reach £433bn – 55 per cent of gross domestic product. This is not only 76 per cent more than the figure for 1992-93: it is £45bn more than the Treasury expected only two years ago.

This growth urgently needed to be controlled. On the figures given, it will begin to decline in absolute terms at the turn of the millennium. More important, it will start to be reduced as a proportion of national income from next year. This, as well as a declining deficit, is important if the UK wishes to keep open its option to join the European monetary union in 1999 or thereafter.

Two questions remain. Are Mr Clarke's figures credible? And if they are, has he done enough?

To achieve a combination of headline tax cuts with increased spending on health, education and law and order, the chancellor has been helped by a remarkable conjunction of economic good news. The Treasury remains optimistic about growth. It now expects GDP to increase by 3½ per cent next year – rather faster than it forecast in the summer. One of the main engines for this growth is the buoyancy of consumer spending and consumer confidence. But exports are expected to continue to grow at around 6 per cent despite the recent strengthening of sterling, and to remain roughly in balance with imports.

A robust economy, underpinned by high corporate liquidity and a sharp increase in business investment, will help to repair the hole in the government's tax take which seemed to appear early this year.

Apart from economic growth, however, the chancellor is relying on an extremely tight public spending total. Although there are no outrageous fiddles, the net squeeze on the Control Total of £1.7bn next year will be very difficult to deliver. The Private Finance Initiative may well not plug the hole in public sector investment as he envisages.

On the revenue side his hope of clawing back £0.5bn from tax evasion and avoidance next year and more than twice as much in 1998-99 may prove similarly optimistic. The battle against evasion is always uphill, and even with extra resources the authorities may find it hard to break into a canter.

The prospects of continued growth and falling unemployment raise one over-arching question: whether they will result in a repeat of the inflationary surge of the late 1980s. The Bank of England is known to be worried. In a non-election year, the chancellor might have attacked the government deficit with considerably more vigour.

But Mr Clarke, as he told the House of Commons, is a practical man, only moderately virtuous. He deserves, therefore, the moderate plaudit that he might easily have done worse.

A display of sturdy commonsense

MARTIN WOLF

What has been done is not perfect – it never is – but much has been achieved on the public finances

The first test of any Budget is whether it does any harm. The answer in the case of the one presented by a notably merry Mr Kenneth Clarke yesterday seems to be no.

It did little harm largely because it did remarkably little. This makes it about as responsible a Budget as could be expected from the controversial chancellor of an unpopular government facing an imminent election. But one would have felt more comfortable with stronger public finances and a lower probability of unsustainably rapid growth ahead.

The public sector borrowing requirement this financial year is expected to come out at £26½bn, or 3½ per cent of gross domestic product. This is almost exactly what the Treasury foretold in its summer forecast. But it is £4bn (½ per cent of GDP) higher than the chancellor predicted a year ago. The ratio of net public debt to GDP has risen roughly two-thirds since its trough at the beginning of the decade.

All the same, the public finances looks quite reasonable by European standards. The ratio of net public debt is expected to end 1996-97 at 45½ per cent of GDP and of gross debt at 55¼ per cent. This puts the UK well within the Maastricht treaty criteria on debt. The same, as the ever mischievous chancellor delighted in pointing out, should be true for the criteria on deficits, with the PSBR for 1997-98 forecast at only 2½ per cent of GDP, and the Maastricht treaty's general government financial deficit at the same level.

The ratio of public spending to GDP is well below the European average, unemployment is down almost 1m from its cyclical peak, the economy is forecast to grow 3½ per cent next year and underlying retail price inflation is expected to decline to 2½ per cent by its end. It all sounds wonderful. It also sounds too good to be true. It could turn out to be precisely that.

The comparison with Europe is comforting only up to a point. What Mr Clarke needs to explain is why the UK's fiscal deficits are roughly the same as those of Germany and France this year and are expected to be little better next year, after five years of superior growth.

Unfortunately, the worry is not just about relative fiscal positions. There are two deeper concerns:

- The economy is now vulnerable to an unsustainable consumer-led recovery.
- With an essentially neutral Budget, the burden of controlling excessive growth in demand will fall on interest rates, the exchange rate, and producers of tradable goods and services.

The Treasury forecasts consumer demand up 4¼ per cent next year, along with a 6¼ per cent rise in fixed investment and a 5¾ per cent increase in exports. Of these, the most important is the first. It is eminently plausible. Recovery seems well entrenched; broad money (and, for that matter, narrow money) are growing above their monitoring ranges; the private-sector financial balance is strong; and house prices are both affordable and rising. Everything, in fact, is combining to encourage the British consumer to do what he or she does so well – spend.

The Treasury has to pray that this will not become yet another orgy of consumption. It need not do so. But it could. If so, the consequent need to control demand could make the fiscal position, and the economy, look far less appetising than now.

This is the principal risk, one that would have been reduced by a still-tighter Budget. If the Treasury is right about the growth prospects, however, with the economy expanding 3¼ per cent next year and then decelerating smoothly to 3 per cent in 1998-99 and 2½ per cent, thereafter, everything ought to be just fine.

Public finances would certainly be so. The PSBR is forecast, on these assumptions, to decline to 1½ per cent of GDP the year after next and disappear two years afterwards. It is easy to be cynical about this. But the forecast is not impossible, provided the economy does perform – and public spending remains under control.

Here the Budget is intriguing, because concealed in the rhetoric about cuts are increases in non-cyclical spending, not just year-on-year, but vis a vis earlier plans, with the plans for next year slightly up on those of last year. Yet this is small change. The bottom line is still very tight control on spending.

If the government (or its successor) were to meet its targets, real non-cyclical spending would rise only 1.6 per cent over the five years 1994-95 to 1999-2000 – virtually all of it, admittedly, over the next three years. Even the National Health Service would receive only 5.4 per cent more over the five years in real terms. The risk to the forecast of a steadily improving fiscal position is, therefore, not just that the economy will overheat and need to be cooled, but that the planned control over spending will not be sustained over so long a period.

If both worries turn out to be misplaced, the fiscal position would look as good as Mr Clarke says it is, with the ratio of spending to GDP securely below 40 per cent by the year after next. This would certainly represent a marked improvement from the situation Mr Clarke inherited four Budgets ago. The same would also be true for revenue, whose share in GDP would have increased by 3 percentage points between 1993-94 and 2000-01.

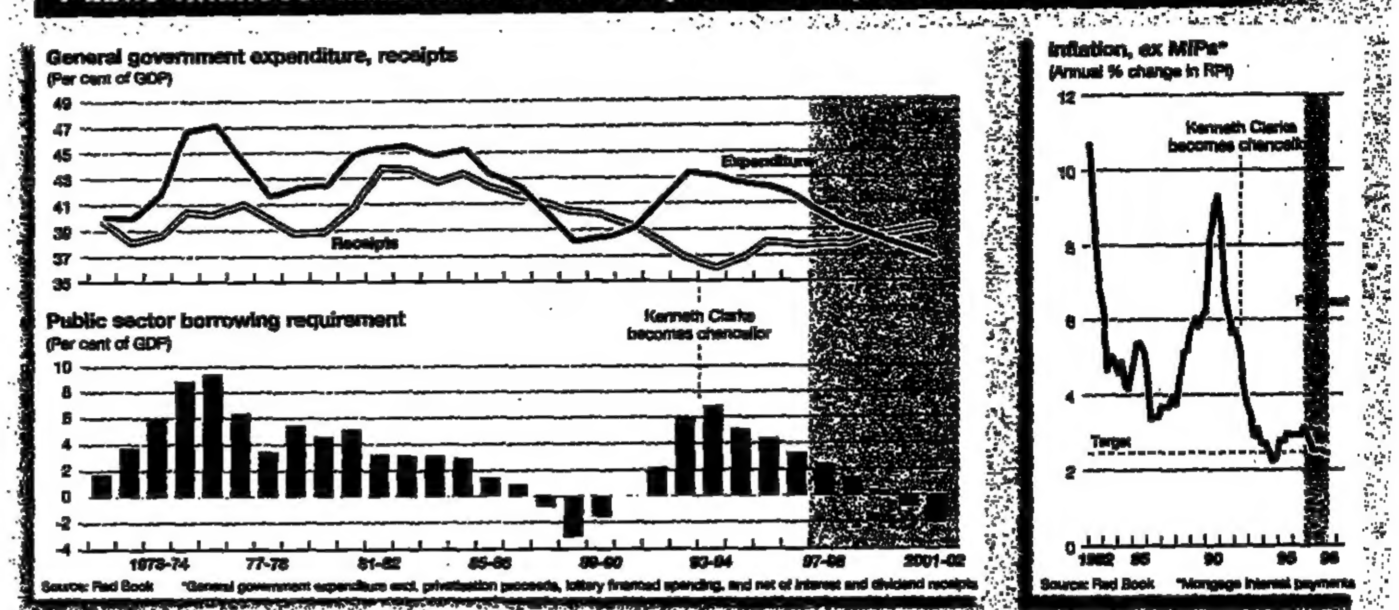
How then might Mr Clarke's tenure as chancellor be assessed?

His contribution as a tax reformer has been nil. Yesterday's fiddling was a representative example, although some of what he did – notably the increase in personal allowances – has been admirable.

His big test, however, was to sustain the recovery and bring order into the public finances with a mixture of control over public spending and higher taxes. What he has done has not been perfect. It never is. He leaves a deficit that is still too large and a policy that is still too heavily reliant on higher interest rates. But the public finances are vastly healthier than when he came into office. This year he has resisted the calls for massive short-term tax and spending cuts from his backbenches.

With his sturdy commonsense and moral courage, Mr Clarke has achieved much. But whether the ebullient optimism he displayed yesterday will turn out to be justified is another matter.

Public finances: inflation risk to the planned improvement



A different sort of welfare state

NICHOLAS TIMMINS

The government is spending more, not less, on the big three – health, education and social security

Yesterday's budget, with its extra spending for hospitals and schools marks one more small step down a road which has radically transformed the shape of public spending since 1979, the year this Conservative government took office.

For contrary to almost all public perception, since 1979 government spending has increasingly focused on the welfare state, not pulled away from it.

Next year, on the plans Kenneth Clarke announced yesterday, the "big three" programmes which make up the core of the welfare state – health (including social services), education and social security – will take almost 61 per cent of all government spending. Back in 1979, the same big three accounted for less than 49 per cent of the total.

The transformation is not quite as dramatic as those figures make it sound. There have been important changes within programmes which account for some of the increase. Housing, for example, accounted for 6.3 per cent of all government expenditure when Labour left office. Last year it accounted for barely a quarter of that (projections for next year will have to await more detailed figures than yesterday's budget provided).

But some of that dramatic cut – the product of the virtual end of the building of council houses – has in fact been switched across to the social security budget: the government has ceased to subsidise bricks and mortar but has instead subsidised much higher rents – producing a ballooning housing benefit bill.

What has happened since 1979 is that the state has successfully reduced spending in some non-welfare areas. Back then, nearly 4.3 per cent of the budget went on trade, industry and employment programmes – much of it on subsidising long-since privatised nationalised industries. That share of the budget is now down well below 2 per cent.

Defence spending, which stood at 10.6 per cent of government expenditure in 1979, and rose further to 11.4 per cent in the mid-1980s, has been cut back: arguably not enough given the end of the cold war, but still down to less than 7 per cent of general government expenditure.

Spending on employment and training – arguably a welfare state policy – has shrunk, as has the percentage going on overseas aid, though neither formed more than 1.5 per cent of spending back in 1979. Transport spending has taken a larger knock: down from 4.2 per cent in 1979 to below 3 per cent now.

The main exception to this contraction in what might be termed "other" non-welfare areas of government spending is police and prisons. Back in 1979 law and order took 3.5 per cent of the spending total. Next year it will take nearly 5.4 per cent, the result in part of the government's philosophy that "prison works".

This significant cut in other spending has been more than offset however, by the growth in welfare state programmes. That has been driven by a number of factors. An ageing population – now ageing more slowly than it was – forced up both health and social security spending during the 1980s. Medical advance has played some part in rising health expenditure. Unemployment, even now, still stands far higher than at the end of the 1970s.

Social security spending is also up because there are many more lone parents on benefit while spending on the sick and disabled has become the fastest growing area of the welfare budget by client group: the result almost certainly of the job market being tighter rather than the country becoming less healthy.

That increase has come despite a string of measures which have restrained the growth in social security spending to the point where, on Mr Clarke's figures yesterday, it is now set to rise at 1.5 per cent in real terms, below the rate of the economy as a whole, against 5 per cent real increase on average since the second world war.

Yesterday's sharp cut in lone parents' benefits – saving £200m over two years – is just the latest among a string of measures which have included linking benefits to prices, rather than to faster rising earnings. On government figures, the measures taken over the last four years alone will have reduced social security spending to a figure £6bn lower than it would have been by the year 2000-01.

The one welfare state area which has not seen its share of government spending rising sharply since 1979 is education. It still takes broadly the same 12 per cent or so: and that is in spite of the doubling in the number of students in higher education over the past decade.

That figure encapsulates some of the paradox around public perceptions of welfare state spending – for education spending is widely perceived to be an area under acute pressure.

What has happened is that spending on schools has been favoured over higher education, where unit costs have tumbled.

In health and social care there has been expansion in some areas – more high-tech medicine for example – matched by cuts in others. The provision of spectacles has become both means-tested and privatised. Something similar is happening to dentistry: long-term care has been shifted away from the health budget to social security and social services, while more people have become subject to means tests and are thus paying for their care directly.

In other words, the welfare state since 1979 has not reduced in scale at all. But it has in some key areas reduced in scope.

It is a trend which is likely to continue, with its core elements taking an increasing share of government spending while the area it covers continues to narrow – at least at the margins.

The next big programme to see that change may be higher education – where it is likely a government some day soon will ask university students to contribute to their tuition fees through a graduate tax. But that will have to await another budget from another government.

Television/Christopher Dunkley

A lack of discrimination

The Ruby Wax "interview" with Sarah Ferguson was a publicity stunt instigated by the interviewee in the hope that it would sell her book and help to get her out of debt. In several ways it was a dreadful bit of programme making. *The Simpsons* is an uninspired, crude and repetitive American cartoon series of low technical quality. *The Trial Of Kevin Maxwell* was an hour and a quarter of hagiography: it would have made a Martian wonder how anybody could have been so jolly nasty as to charge the saintly Maxwell Junior with any crime whatsoever.

All these programmes were shown by the BBC. But yesterday the British mass media were trumpeting the success of the BBC at the International Emmy Awards in New York. First news that the British had taken five prizes in the six categories was heard by many on the BBC's own *Today* programme on Radio 4. Awards went to *The House* (the backstage documentary series about Covent Garden opera house), *People's Century* (Peter Pagnamenta's history of the 20th century as seen by the man in the street), *A Close Shave* (latest of Nick Park's Wallace and Gromit cartoons), one of the *Newsround Extra reports for children, and Smoke*, a ballet programme co-produced by the BBC. Also included in the children's prize was *Wise Up*, a Channel 4 programme.

So whatever critics may say, British television is still knocking spots off the rest of the world? Well, yes and no. These were not *the* Emmies. These "International" Emmies are for programmes not made in America. This was not made clear by yesterday's publicity blitz which left most people believing that the British had won in virtually all categories in the most famous television awards in the US, against America's own contestants. Not so.

These things need to be stated clearly because we are living in an age of woolly relativism. Good and bad are ceasing to have much meaning as commissioning editors, awards juries and channel controllers turn their backs on the idea of distinguishing between high and low quality. They seem much more comfortable with notions of quantity. If a lot of people watch a programme then it is important, and anything important deserves endless *discussion in print, on the radio, and* on television. If it isn't so already, "popular" will soon be synonymous with "good" in television.

Hence the remarkable change in attitude towards soap opera which, not many years ago, was regarded as cheap entertainment for those whose brains could not cope with anything more complicated. Then came the media studies revolution. People began to write PhD theses on the semiological significance of the reception area in *Crossroads*, and now we have broadsheet newspapers dedicating columns not just to television but specifically to soap opera. The trouble is that this sort of coverage does not distinguish between the rare soap which shows a real flair for dialogue and characterisation (*Coronation Street* quite often, for instance) and those which merely blunder on from one publicity stunt to another. They simply wallow in that bath of populist sentiment where an intimate knowledge of the inhabitants of Albert Square is considered clever.

We are not so much concerned here with the squabble over "high" and "low" culture. When his novels were *coming out as part works* Dickens was considered pretty low, and it seems all too likely that some Carthaginian Mary Whitehouse once campaigned to keep Apuleius's naughty stories away from the ears of children. Today Dickens and Apuleius are held in high esteem, but precisely because they are – because we realise that posterity may revise contemporary estimates of worth – there is now a ridiculous tendency to go to the other extreme. All soap opera is treated as holy writ, all animated cartoons regarded as worthy of ponderous analysis, and in the shadow of that famous article in The Times by music critic William Mann when he compared The Beatles to Mozart, every new pop group is treated as a "super group" however banal and derivative its music.

What is missing is discrimination. The point about Mann's article was not that he had suddenly decided to abandon classical music and opt for pop, but that he was astute enough to recognise as early as 1963 that – regardless of where you placed them in the social/cultural spectrum – Lennon and McCartney were extraordinarily good *song writers. Not all popular* culture is bad, and there is nothing wrong with television programmes concerning themselves with the Ford Cortina as well as the Bach cantata. Nor is it necessarily a bad thing to make programmes about the outer fringes of the royal family, to show American animation series, or to make documentaries which seek to reveal the side of a coin previously concealed.

What ought to matter very much, however, is whether these things are done well or badly. And where popular culture is concerned it is crucial to keep in mind that not all of it is good. People seem to be lulled into the belief that the sheer quantity of promotion behind a programme shows that it must be significant. *The Simpsons* first appeared in the UK on satellite and cable and consequently very few people knew about it. Now the BBC has bought the series and proceeded to trail it hysterically, devote the cover of Radio Times to it, with a three-page colour spread inside, "Reader Offers" of Simpson watches, Simpson tee-shirts, and so on.

If that great cultural institution the BBC is so enthusiastic, then presumably *The Simpsons* must be marvellous. But what do you find? A prime example of the American "dumbing down" process, with sledge-hammer jokes, crude drawing, cruder colours, and a couldn't-care-less attitude towards any of the finer points of the art of animation. Look at the background in any frame of *The Simpsons* and then think about the backgrounds in *Pinocchio*. Or look at any entire episode of *The Simpsons* and think how much more irony, subtlety and humour you would find in 10 seconds of a Wallace and Gromit programme.

In the great scheme of things it may not matter greatly if Fergie wants to do a programme with Ruby Wax, or Wax wants to do one with Fergie. But it is important not to accept this farrago at its own estimation but to point out that much of the programme was pointless because both egomaniacs were talking at once. The worrying part of the whole phenomenon was not that 30 minutes of television time was taken up but that the surrounding hype was so influential. It even got through to the *Today* programme on Radio 4 which devoted no less than 18 deferential minutes to a Fergie bookplug in the 8.10 slot where top politicians are usually lucky to get four challenging minutes.

Of course, the infuriating thing about writing a piece such as this is that the column-inch counters in the PR business will simply add it on to their tally.

Alec McCowen with Kate Duchêne, Penelope Wilton and Lucy Whybrow in 'The Cherry Orchard' Alastair Muir

Theatre/Ian Shuttleworth

Mixed-race family conflict

The first play to be written by Ayub Khan-Din generated such interest in Birmingham that the current London run is already sold out; the curious will have to wait until Tamasha's production returns in early 1997 under the aegis of Philip Hedley at Stratford East.

East is East deals, semi-autobiographically, with a mixed-race family (Pakistani father, Lancastrian mother, six children living at home) in Salford in 1970. The outside world is represented by news reports of the east Pakistani independence conflict, as George Khan fulminates against India's involvement there; Salford life takes the form of the children working in the family chippy and scoffing surruptious rashers of bacon, and Ella's remonstration when her husband speaks of their "lost" eldest son Nazir: "He's not dead, he's living in Eccles." The two environments coincide in George's determination that his sons Tariq and Abdul will undergo the marriages he has arranged without consulting them.

An air of UK Gold sitcom hangs over the early proceedings – flares, tank tops and sideburns evoking a period which now looks inherently comical, and Ella's dialogues with her friend Annie make the odd foray deep into the territory of Les Dawson's Cissie and Ada. Youngest son Sajid has a security parka, which he has not removed for a year. The central issue of racial and cultural identity is at first given either formulaic or humourous treatment: Munir, who chooses to live as a devout Moslem, is given the mocking nickname "Gandhi". Zita Sattar turns in a fine comic performance as tomboyish daughter Meena.

As the crisis becomes imminent, however, Khan-Din deepens all these characters, allowing the complexity of the matter full rein in a series of intensifying debates and confrontations. No one person is in possession of more than a piece of the solution, if there is a solution. When George (Nadim Sawalha) lashes out at his wife or son, it is less an instance of a brutal nature than the cold violence of an automatic response to having his status questioned; he is bested when the family stand up to him, not in unison but in a spontaneous alliance of individuals.

Khan-Din's dramatic strategy walks a fine line, and puts only the occasional foot wrong. Khristine Landon-Smith's direction does it solid service. As ever, the Court's programme includes the full text of the play, albeit with inconsistencies; this review observes the spelling of characters' names used in the cast list rather than that in the script.

Royal Court Theatre Upstairs at the Ambassadors Theatre, London WC2, until December 7; Theatre Royal, Stratford East, Febrary 5 to March 8 (0181 534 0310).

Theatre/Alastair Macaulay

Chekhov – in watercolour

The production of *The Cherry Orchard* that the Royal Shakespeare Company has just brought to London strikes me as the best staging of a Chekhov play that the West End has seen during the 1990s. Doom and farce hang in the air side by side; the mood can change in a moment; we find ourselves laughing at the most unlikely things; and, like people in real life, the characters keep taking us by surprise. At the Albery Theatre, it replaces the Chichester *Uncle Vanya*. But whereas that was merely a disgraceful collage of thespian superficiality (English Chekhov at its most fetid and insincere), this – directed by Adrian Noble – first and foremost makes us attend to the multi-layered humanity, the enthralling contradictions, and the so-lifelike ironies of Chekhov himself.

It is not, however, quite the same as it was when new in 1995. On the thrust stage of the Swan in Stratford-upon-Avon with the audience on three sides of it, it was chamber Chekhov, and engrossing. Behind the proscenium arch of the Albery Theatre, it seems in every sense a little too distant. And a touch of that gingerly, delicate, precious quality of restraint that marks so much English Chekhov has entered into it. Yet it has also become funnier, and it proceeds with welcome briskness.

Interestingly, the most marvellous performances are now those with a streak of caricature. As the creaky old manservant Firs, the most superfluous character in the play, harking back to the good old days before freedom, Peter Copley is superlative, a dated old fusspot. He stares at Trofimov in vexed incomprehension, like a Louis Quinze armchair placed beside a Constructivist sketch. As Gaev, Alec McCowen is another kind of fusspot, and excellent. His beaming old-maidish fastidiousness works beautifully in this emblem of an outmoded order. Darlene Johnson is extraordinary as the governess Charlotte: flamboyant, brusque, brisk and no-nonsense, even as she remarks that she is utterly alone and has no clue to the point of her existence. And Mark Lockyer makes Yasha a riveting, appalling, petty opportunist: the kind of character whose least utterance or action reveals whole new facets of himself.

Penelope Wilton is Mme Ranevskaya, elegant, charming, escapist, privately dried-up, and irresponsible. And she is the most perfect in judging the play's sudden leaps of mood: slicing through comedy into old grief, switching from lamentation to helplessly rude personal remarks, reacting to seriousness with inattention or frivolity. Everything she does is felt, and touching. But also a little too controlled. It took only one or two lines from Gwen Frangcon-Davies on an old tape of the play to remind me what I had missed in Wilton: a gushing effusiveness, a champagne-soaked extravagance, an idle glamour. Different kinds of too-English restraint also prevent Kate Duchêne's Varya, Sean Murray's Trofimov, Emilia Fox's Anya, and Louise Gold's Dunyasha from turning their intelligent, sensitive characterisations into brimful, living characters. David Troughton's Lopakhin and John Dougall's Epihodov both handle certain episodes very well; but sooner or later they cease to surprise us. So this tends to be watercolour Chekhov.

What a play! Although many of Chekhov's dramatis personae seem borrowed from Turgenev's *A Month in the Country*, he gives them a newer life here, and adds them up into a unique, and amazingly prescient play. *The Cherry Orchard* had its premiere in 1901; it shows the end of an old order as if it had been written in the Russia of five, or 20, years later. And it threads together lyricism, satire, pathos, absurdity, bleakness, and irony in a concentration that paved the way for decades of new drama in our century.

Albery Theatre, WC2, until January 25.

Homage to the screen

David Farr's contribution to this year's centenary-of-cinema beano is "a play with film" staged/screened in the Gate Theatre's neighbour, the Electric Cinema. It is a clever, audacious piece of work, patchy with multi-media imperfections and often impudently referential but none-the-less admirable.

The eponymous protagonist of Farr's script is a German-born director from Hollywood's 1940s golden age. As the story of his unfinished masterpiece unfolds, Klapper becomes an amalgam of Charles Foster Kane and Erich von Stroheim, with dashes of Fritz Lang and several others thrown in. Anthony Higgins gives a performance of tutonic coldness, bursting into passion only for his work and quite impassive when he remembers the rosebud lips of his first beloved. Klapper's attempts to rewrite his youth would be destined to end in tears and blood even without the self-censorship of a studio boss caught between the Hays Code and the House Committee.

Whilst Farr directs the proceedings on stage, Ben Hopkins has shot filmic components which tacitly cite most of the last 100 years of film: an opening shot suggestive of *Last Year in Marienbad*, a deliciously tacky batch of screen tests and, in a wonderful pastiche of Expressionist cinema, Max's adolescence memories. Hopkins falls short only in the footage supposedly of Klapper's *magnum opus*, which (although nodding towards Menzie's 1935 film of Wells' *Things to Come*) often feels less like mid-century techno-fantasy than Wim Wenders' flat version in *The State of Things*. (Of course, this, too, maybe a deliberate homage . . .)

Emily Lloyd makes an erratic stage debut as Klapper's manufactured leading lady Bella Kooling. Although the camera clearly loves Lloyd's Lillian Gish-like features, her live portrayal of Bella's transition from diffident ingénue to defiant, self-assured celebrity seems stilted and laboured; she is noticeably more confident when called upon to act with her entire body than when restricted to gestures of hand and voice.

However, for all its dense tributes and references, this is a work which thrives even without footnotes – one aimed at film lovers rather than film buffs.

Gate Theatre at the Electric Cinema, London W11, until December 14 (0171 229-0706).

INTERNATIONAL ARTS GUIDE

BARCELONA

EXHIBITION
Fundació la Caixa Tel: 34-3-4588907
● Tibetan Sacred Art: this exhibition of approximately 200 pieces of sculpture and "thangka" (roll-up paintings on fabric used as an aid to meditation) presents a journey through twelve areas which symbolise the different religious spheres with the most representative characters and deities in Tibetan Buddhism. The works are from public and private collections in Europe and the United States and span the period from the ninth to the nineteenth century. Following the exhibition in Barcelona the show will travel to Japan; to Jan 12

BASEL

EXHIBITION
Kunstmuseum Basel Tel: 41-61-2710228
● Russische und ungarische Avantgarde 1913-1925: exhibition of graphic works created by Russian and Hungarian avant-garde artists between 1913 and 1925. Included in the exhibition are works by Malevich, Rodchenko, Popova, Rozanova, El Lissitzky, Krutschonich, Moholy-Nagy, Péri, and others. The works on display come from the collection of the Musée d'Art et d'Histoire in Geneva; to Jan 26

BERLIN

CONCERT
Konzerthaus Tel: 49-30-203090
● Berliner Sinfonie-Orchester: with conductor Michael Schoenwandt and bassoonist Rainer Luft perform works by Mozart, Algmüller and R. Strauss; 8pm; Nov 30; Dec 1, 2

BONN

OPERA
Oper der Stadt Bonn Tel: 49-228-7281
● Die Zauberflöte: by Mozart. Conducted by Gustav Kuhn, performed by the Chor der Oper der Stadt Bonn and the Orchester der Beethovenhalle Bonn. Soloists include Melba Ramos, Lothar Odinius and Anna Maria Martinez; 7.30pm; Nov 29

BRUSSELS

EXHIBITION
Palais des Beaux-Arts Tel: 32-2-5078466
● Karl Blossfeldt: exhibition of works by the German photographer Karl Blossfeldt (1865-1932), who is specially known for his detailed black-and-white photographs of flowers and plants. The display features approximately 200 original photographs; to Jan 5

COPENHAGEN

CONCERT
Tivoli Concert Hall Tel: 45-33 15 10 01
● Helsingborg Symfoniorkester and the Sjællands Symfoniorkester: with conductor Okko Kamu perform works by Schoenberg and Stravinsky; 7.30pm; Nov 29

EXHIBITION
Statens Museum for Kunst - Royal Museum of Fine Arts Tel: 45-33 91 21 26
● Electronic Undercurrents - Nam June Paik Video Sculptures: the whole ground floor of the Statens Museum for Kunst - approximately 3,000 square metres - is cleared to make room for the video exhibitions "Nam June Paik Video Sculptures", "American Film & Video: Whitney Biennial" and "Art & Video in Europe" with the collective title "Electronic Undercurrents". The three exhibitions combine to give an overall picture of international video art today; to Nov 30

ESSEN

EXHIBITION
Museum Folkwang Tel: 49-201-8845314
● Sean Scully. Arbeiten auf Papier - 1975 bis 1995: this exhibition features some 60 works on paper created by the American abstract artist Sean Scully over the past twenty years. Included are pastels, watercolours and monotypes from the artist's private collection; from Dec 1 to Jan 26

FRANKFURT AM MAIN

EXHIBITION
Deutsches Architekturmuseum Tel: 49-69-2128471
● Eileen Gray (1878-1976). Eine Architektur für alle Sinne: retrospective exhibition devoted to the work of designer/architect Eileen Gray. The exhibition follows Gray's artistic development, from her works in lacquer to her architectural projects; to Dec 1

LEIPZIG

OPERA
Oper Leipzig Tel: 49-341-1261261
● Tannhäuser: by Wagner. Conducted by Jiri Kout, performed by the Oper Leipzig. Soloists include Bartha, Watson, Olsen and Neumann; 11am; Dec 1

NEW YORK

EXHIBITION
Guggenheim Museum SoHo Tel: 1-212-423-3840
● 1996: The Hugo Boss Prize: exhibition featuring works by six artists nominated by the jury of the Hugo Boss Prize, an award in recognition of a body of recent work representing a major aesthetic achievement or a significant development in contemporary art. The six nominees are Laurie Anderson, Janine Antoni, Matthew Barney, Cai Guo Qiang, Stan Douglas, and Yasumasa Morimura; to Jan 19

The Metropolitan Museum of Art Tel: 1-212-879-5500
● Eugène Cuvelier, Photographer in the Circle of Corot: this exhibition presents a selection of approximately 45 prints by Eugène Cuvelier (1837-1900) and his father Adalbert, the photographers most closely allied with the Barbizon painters Corot, Rousseau, Millet, Daubigny and others. The exhibition complements and coincides with the Museum's major exhibition of paintings by Corot; to Jan 12

OPERA
Metropolitan Opera House Tel: 1-212-362-6000
● Così fan Tutte: by Mozart. Conducted by James Levine, performed by the Metropolitan Opera. Soloists include Fleming, Mentzer, McLaughlin and Groves; 1.30pm; Nov 30

PARIS

CONCERT
Théâtre des Champs-Elysées Tel: 33-1 49 52 50 50
● Sinfonia Varsovia: with conductor Yehudi Menuhin perform Beethoven's Symphony No.6 in F major, Op.68 (Pastorale) and Symphony No.3 in E flat major, Op.55; 8.30pm; Dec 1

EXHIBITION
Galerie Nationale du Jeu de Paume Tel: 33-1 47 03 12 50
● Sean Scully - Catherine's Paintings: each year, Sean Scully dedicates one of his paintings to his wife, Catherine Lee. This exhibition brings together the 17 paintings Scully has dedicated to his wife over the years, accompanied by a selection of watercolours and his recent series "Floating Paintings"; to Dec 1

Musée du Louvre Tel: 33-1 40 20 50 50
● La griffe et la dent. Sculptures d'animaux par Antoine-Louis Barye: a tribute to the French animal sculptor Antoine-Louis Barye (1795-1875). The exhibition features 90 sculptures in stone, plaster, wax or bronze, and 50 watercolours and drawings from the collection of the Musée du Louvre and other French collections; to Jan 13

SAN FRANCISCO

OPERA
Bill Graham Civic Auditorium Tel: 1-415-861-4008
● Les Contes d'Hoffmann: by Offenbach. Conducted by Steven Mercurio, performed by the San Francisco Opera. Soloists include soprano Tracy Dahl, Patricia Racette and Susan Quittmeyer, mezzo-soprano Catherine Keen, tenor Jerry Hadley and bass Samuel Ramey; 8pm; Nov 29; Dec 1 (2pm)

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WORLD SERVICE

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Edward Mortimer

Hurdles to safety

Central Africa's refugee problem has highlighted how reluctant industrialised countries are to grant asylum

The tragic sight of millions of central Africans driven to and fro by the fortunes of war should at least remind Europeans and other northerners that the world refugee problem is mainly in the south.

Perhaps 12 per cent of the 13m refugees in the world (let alone the nearly 40m people forcibly displaced within their own states) ever reach an industrialised country. In EU countries, only about 300,000 people applied for political asylum in 1995.

Of those, the proportion accepted as refugees varies from 36 per cent in the Netherlands to just 5 per cent in the UK. British ministers cite the latter figure to argue that the other 95 per cent are "bogus", forgetting that a further 15 per cent were granted "exceptional leave to remain" (meaning that, even if not technically refugees, they had good reasons not to go home).

People who approach the system from the side of the asylum-seeker – such as lawyers, and representatives of the UN High Commissioner for Refugees – do not believe even 80 per cent, or anything like it, are "bogus". They say that in Canada recent reforms to make the process fairer were followed by a sharp increase in the proportion of applicants accepted. Within Europe, the Dutch system is probably the fairest.

UK officials say their system is fair because it includes the right of appeal to an independent adjudicator. But lawyers say many adjudicators seem predisposed to accept the Home Office view, regarding the appellant with a priori suspicion.

In truth the UK, like most other European governments, is desperate to limit the number of asylum applicants, whether genuine or not. And seemingly it is prepared to go even further than others in so-called "humane deterrence", by detaining some asylum-seekers without charge and withholding social security benefits from others.

Earlier this month the European Court of Human Rights in Strasbourg (an organ of the Council of Europe, not the EU) ruled that Mr Karamjit Singh Chahal, an alleged Sikh terrorist, should not be deported from the UK to India because he risked being tortured. Mr Chahal had spent six years in a British prison without facing a charge.

Besides drawing attention to the UK's harsh treatment of asylum-seekers, the court's decision also showed that the European Convention on Human Rights can sometimes give asylum-seekers better protection than the 1951 UN Convention, to which most states refer in deciding whether someone is a refugee. There is no appeal against a decision that you are not a refugee; but Strasbourg can protect your human rights from violation by a European state whether you are a refugee or not.

In the present climate, that will probably make states redouble their efforts to prevent asylum-seekers reaching them in the first place and, when that fails, to find excuses for sending them on without examining their claims.

The first of those aims is served by the system of "carrier responsibility": imposing heavy fines on airlines and other transport operators which bring people into a country without proper travel documents. This transfers the work of immigration officers to airline employees abroad, who are neither qualified nor encouraged to consider whether a traveller has, in the words of the 1951 convention, "a well-founded fear of persecution".

The second aim is served by the 1990 Dublin Convention, and various "readmission agreements" with central European states, intended to ensure that asylum pleas are heard in the country of "first safe arrival". This causes endless argument over whether a given country is safe for a particular person.

In the UK there have been many successful appeals on this point. But the recent Immigration and Asylum Act means that people can be sent back to a country before their appeal against the ruling that that country is "safe" has been heard.

The British system is the slowest in Europe, partly because it is hopelessly underfunded. Appeals are adjourned month after month, even year after year, because the Home Office is not ready with its case, or because too many cases have been set for hearing on the same day. Procedural errors and mistranslations – again caused by lack of resources – give rise to applications, frequently granted, for judicial review in the High Court, which generally orders the appeal to be heard again by another adjudicator.

After all that, unsuccessful applicants often stay in Britain, either because the police cannot find them or because, while waiting years for a decision, they have acquired some qualification for legal residence other than refugee status.

Thus the system achieves the worst of both worlds. The government fails to remove those whom it considers undesirable aliens, yet genuine refugees are harassed, insulted and kept in suspense, with no right to be joined by their families.

Some sort of bargain is surely feasible, whereby lawyers agree to reduce appeals in return for reforms making it less likely that genuine refugees will be turned down. More immediately, an early amnesty is needed to clear the backlog by admitting all who applied before a certain date.

Neither of Britain's main political parties will be keen to propose this during an election campaign. But it should be the first suggestion the next home secretary finds in his in-tray.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'), e-mail: letters.editor@ft.com Published letters are also available on the FT web site, http://www.FT.com Translation may be available for letters written in the main international languages.

Hypocritical to blame the Swiss

From Mr Jean-Christian Lambelet.

Sir, Swiss authorities are reportedly under pressure to re-negotiate the 1946 agreement with the Allies settling the claims on looted Nazi gold shipped to Switzerland by Germany during the second world war ("UK may seek to reopen Nazi loot treaty", November 19). More generally, it has become fashionable, particularly in the UK and the US, to vilify Switzerland for its role during the war.

Switzerland had nothing to do with the passivity of Britain and France in March 1936 when the Rhineland was re-occupied and Hitler could have been stopped and quite possibly toppled at the drop of a hat. Neither did it have anything to do with the infamous 1938 Munich agreement or with America's international aloofness right up to December 7, 1941. It was these and other policy mis-steps which led to the second world war and made the Holocaust possible. On that most basic count, Switzerland can only plead innocent.

It is true that Switzerland's behaviour during the conflict was far from blameless. The Swiss National Bank was naive at best and an accomplice at worst when it accepted German bullion. The country could also have sheltered at least twice as many refugees as it actually did, especially in 1940 to 942.

But what about those refugees who tried to escape to safety before the war broke out? The UK was relatively open to them but the US record is dismal.

So what is more important – gold during the second world war or humans rescued in time? And what about other neutrals? Unlike Switzerland, Sweden let fully armed German divisions cross its territory and Krupp steel was made with high-grade Swedish ore. The list could go on.

As to the zillions in Swiss banks, suppose that in, say, 1937 or 1938 you had been a rich German resident of the Jewish faith and you had decided not to emigrate while feasible, where would you have put your money – in Switzerland, abutting Germany and likely to be on Hitler's shopping list, or across the Atlantic in a US bank?

As the archives open, it is healthy that these and other issues be aired. But there is blame enough for all the actors in those barbaric times. So why "gang up" on little but oh-so-rich Switzerland? *The hypocrisy of it all!*

Jean-Christian Lambelet,
professor of economics,
University of Lausanne,
Créa Institute,
CH-1015 Lausanne,
Switzerland

Gatt more impressive

From Mr David Woods.

Sir, If anyone should, the FT should know better. "Officials from around the Pacific Rim may not have had much more success than Gatt in agreeing to cut their trade barriers but, like their forebears, they can't resist a good chin wag". (Observer, November 25).

I seem to recall that the General Agreement on Tariffs and Trade succeeded in bringing average industrial tariffs down from about 40 per cent after the second world war to around 3 per cent now. Has the Asia Pacific Economic Co-operation done anything similar; if so, I seem to have missed it. And has the Asia/Pacific grouping achieved anything remotely as impressive as the Uruguay Round? That was Gatt; hardly chat!

David Woods
21 Chancery Lane
London WC2A 1LS,
UK

Jets to Jakarta will cause instability

From Mr Frank Blackaby.

Sir, Two points on your somewhat tepid editorial imprimatur on "Jets to Jakarta" (November 22). You say "Were Britain to forego the opportunity, others would take it up". That is also the argument used by Britons who engage in the drugs trade – but I assume you draw the line at endorsing their activity. The next sentence reads: "... a well-equipped Indonesia is important to maintaining a strategic balance in a region made volatile by the emerging strength of China". What strategic balance is this? The balance between Indonesia and China?

South-east Asia has a multitude of boundary disputes – particularly maritime disputes, as conflicting exclusive economic zones are mapped out. It is intellectually irresponsible to suggest that sales of weapon systems into the area will improve regional stability. They will worsen it, by provoking competitive purchases and so increasing the risk that one or other state may try to settle a boundary dispute by military means.

Frank Blackaby,
9 Fentiman Road,
London SW8 1LD, UK

Best system

From Mr James Sandilands.

Sir, Michael Skapinker asks what can be done to alleviate the trauma of checking in at airports (Business Travel, November 25). The former BEA used to have the answer to this: the Cromwell Road terminal in west London. Here passengers could check in and then board a bus for the airport knowing the aircraft would wait for them should the bus be held up by traffic. Similarly, the former BOAC had a terminal at Victoria.

Perhaps BA could be persuaded to use this system again. The queues that air passengers have to endure at the airport would then be reduced to just four: showing their boarding passes, security check, passport and embarking.

James Sandilands,
58 Doneraile Street,
London SW6 6EP, UK

Crest aids administrators, but not users

From Mrs L.M. Hannay.

Sir, Your article "City's Crestfallen hero" (November 16) mentions some of the problems being experienced by the Crest electronic share settlement system, but omits any reference to the inherent shortcomings of the system itself.

As a private shareholder I have sought information but neither the Bank of England, nor CrestCo, nor various PLCs have been able to quote me any benefit that the individual investor will gain from Crest. It appears to be a classic example of the tail wagging the dog, where some expensive administrative system is installed for the benefit of the administrators, and not of the users who pay for it.

Under Crest, shareholders' rights are only safeguarded by a voluntary nominee code which carries no penalty for non-compliance. The Institute of Chartered Accountants in England and Wales has already expressed concern to the Board of Trade at the growing diminution of shareholders' rights. One PLC has informed me of the probability that most private shareholders will not participate in the Crest system.

L.M. Hannay,
La Combe,
24220 Le Coux et Bigaroque,
France

Personal View • **Lawrence Lindsey**

Emu: an American view

Managing a continent-wide currency union is a big economic challenge

Being an American, I cannot appreciate the historical and political motivations which seem to be the main thrust behind European monetary union. I also firmly believe this is an issue for the people and parliaments of Europe to decide, and thus one on which Americans and American political institutions should avoid taking policy positions.

But as a US central banker responsible for the world's largest currency union, I can provide an informed perspective on some of the economic challenges in managing a continent-wide currency union.

In any dynamic modern economy the size of the US or the European Union there are bound to be significant regional differences in economic performance. Economic policy tries to assuage such differences and set up automatic stabilising mechanisms by which they become self-correcting.

Movements in exchange rates can act as such an automatic stabiliser. The exchange rate varies cyclically as real interest rates depress the attractiveness of financial assets in a slumping economy and boost those in an overheating one. The deterioration in the real exchange rate provides an injection to the weak economy in the form of export demand while the appreciation in the currency of the fully expanding economy helps reduce excess demand.

Under a single currency, the stabilising process must find an alternative mechanism. In a depressed economy, one such mechanism is a boost in the attractiveness of fixed investment through a deterioration in the prices of real assets.

In an economy where monetary policy is pursuing long-term price stability, this would require a decline in nominal asset prices. Such price declines are quite disruptive economically and tend to damage financial services businesses by reducing the value of collateral underpinning their lending.

The US experienced such difficulties in the 1980s and 1990s. Examples include the fall in asset prices in Texas and Oklahoma after the oil-price collapse of the mid-1980s, the end of the so-called Massachusetts miracle in the late 1980s and the decline in Californian property prices in the early 1990s.

Where there are many different currencies, much of the decline in relative asset prices would lead to exchange rate adjustments rather than nominal price falls. So, if there had been such a thing as a "California dollar", the nominal decline in Californian property prices in the early 1990s might have been as great in terms of US dollars, but substantially less in the local California currency.

In the absence of exchange rate variations between US regions, the automatic stabilisation of regional economic differences relies on two other mechanisms: labour mobility and fiscal transfers.

The US is characterised by an extremely mobile workforce. The US Census Bureau estimates that roughly 17 per cent of all Americans move in a typical year and 3 per cent of the national population, some 7.7m people, change their state of residence.

This provides a major part of the interregional adjustment in the US economy. For example, during California's recent economic difficulties between 1990 and 1994, for example, nearly 1.2m people left the state.

> Linguistic and cultural differences are no doubt major impediments to widespread migration between EU member states

This led to a rapidly expanding labour force for booming areas of the west. For example, Utah added 200,000 jobs, a 24 per cent increase in the same period, and Colorado added 300,000 jobs. Not only are regional differences mitigated by this kind of mobility, but the beneficial effects show through in a relatively high level of output and low level of unemployment.

In Europe, cross-national migrations simply do not approach this magnitude. The EU has taken dramatic steps towards ending the formal barriers which existed for citizens of the member states, but significant informal barriers remain.

Linguistic and cultural differences no doubt are major impediments to widescale migration between EU member states. Over time, one might expect these differences to diminish. But in the short run Europe simply cannot rely on labour force mobility to stabilise regional economies to the same extent as the US.

The second major source of inter-regional economic stability in the US comes from automatic changes in fiscal transfers between the regions and central government. The progressive tax system provides most of this adjustment: because the tax take is closely related to income levels, regions in recession find that their net fiscal positions change rapidly through the cycle.

For example, when the California economy was booming during the period 1987-91, the state provided nearly 17 per cent of marginal federal tax revenues, while driving its share of tax receipts up from 12 per cent to 13.4 per cent. From 1991 to 1994, the state's share of marginal federal revenue fell to just 8 per cent and its share of the national tax burden declined to 12.5 per cent.

These differences are quite significant. Had the 1991 tax share of California stayed constant, Californians would have paid \$11bn more in taxes in 1994 – or \$350 per capita.

In the New England recession of the late 1980s, the automatic fiscal stabilising effect was even greater, amounting to \$550 per capita. These examples of the fiscal transfer effect of automatic variations in federal tax payments can amount to 1½ to 2 per cent of personal income. One might equate this to an automatic tax cut in the UK of between £10bn and £12bn.

It is important to stress these changes are automatic and stem from existing fiscal institutions. Discretionary fiscal policy can augment these effects.

But the efficacy of such discretionary policies often suffers from a variety of lags in perception, decision-making and disbursement. Just as the stabilising properties of exchange-rate variations are automatic, the stabilising alternatives to these variations should also occur without requiring action by decision-makers.

In comparison with the US Europe has no such automatic fiscal transfer mechanism. European expenditure programmes do involve some transfers of resources. But they are not deliberately countercyclical in their effects or even in their intent. Under the proposed stability pact to stop members of the single currency running large deficits, discretionary policy cannot be used to mitigate regional economic variations.

In sum, a review of the methods for carrying out the stabilisation function in a currency zone indicates that the US has developed institutions to substitute for the lack of exchange-rate variations between its regions. Europe does not have such alternatives. But to say that this is true now does not mean that this will always be the case, as economic convergence and institution-building continues apace.

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FINANCIAL TIMES

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Hard or soft boiled Emu

Quite soon decisions will have to be taken on what counts as adequate convergence for membership of European economic and monetary union. It will be a complex game, mixing interpretation of numerical criteria with politically charged voting on who makes the grade. It is too early to predict what will happen. But it is not too early to decide what *should* occur: initial members of Emu must be those countries – and only those countries – that have demonstrated the capacity and the will to live with a hard currency.

Difficulties are inevitable. A decision to accept every country that has made an effort, however belated, to meet the criteria would mean a wider zone of currency stability and a happy band of southern members; but it would also disturb Germany and might undermine the credibility of the new currency. A decision to restrict membership to a hard core with a proven track record would limit the zone of currency stability and, at least for a while, divide the European Union; but it would comfort the German people and give the euro the best chance of establishing itself.

However painful, a decision must be made. It should be for the second option: better to disappoint some than to risk ultimately ruining the hopes of all. Emu must at the very least work to the satisfaction of its own members. To ensure this, everybody should agree to apply the spirit rather than the somewhat confusing letter of the convergence criteria.

Stability pact

The criteria were an attempt, unavoidably imperfect, to decide whether a country had shown the political and economic capacity to link its currency to the D-Mark without undue difficulty over an extended period. How the fiscal position of a country has evolved gives an indication of this; so does the stability of its exchange rate.

Several applicants have yet to demonstrate such a capacity and would be unable to do so after just one more year. Does this matter? The answer is yes. The citizens of these countries, deprived of the capacity to adjust exchange rates, may clamour for a more inflationary monetary policy and a looser fiscal policy. It is because they fear the latter that the Germans insist on a stability pact. Unfortunately, their proposals are likely excessively to circumscribe the fiscal policy of soundly managed countries, thereby exacerbating conflicts between countries in temporary difficulty and their partners.

Postponement

There is a deal to be done. Germany should be assured that the spirit of the criteria will be respected. It, in turn, should accept that a currency union lacking either labour market flexibility or internal transfers must grant its members greater fiscal discretion than it now envisages. Ideally, this can be done by paying greater attention to cyclically adjusted deficits. An alternative would be to give more leeway to countries with lower burdens of public debt.

The deal is needed, because the alternatives are worse. If, for example, Germany is confronted with a wide Emu and a toothless stability pact, it may call for a disruptive postponement of the entire project. Alternatively, Europe may be cursed with both a wide Emu and inadequate fiscal flexibility, which could be still worse for prosperity and harmony.

The fundamental decision must be to accept in the first wave only those countries that have demonstrably converged. What would this mean? That membership should be restricted to countries which have shown themselves able to perform in the same league as Germany with both a fixed exchange rate against the D-Mark and roughly the same fiscal policy as Germany itself. Italy has not yet demonstrated this, despite the weekend agreement to admit the lira to the exchange rate mechanism. Neither has Spain. To pretend they have is machismo. Machismo is exciting; but prudence is wiser.

Apec's lost opportunity

A Perfect Excuse to Chat. That unflattering description of Apec, the Asia-Pacific Economic Co-operation forum, is now doing the rounds after its unproductive summit in Manila this week. The harsh truth facing leaders of the 18 countries who attended is that the expression is embarrassingly apt.

This was the meeting at which the leaders were supposed to start turning their vision of regional free trade by 2020 into reality.

Instead they failed to put significant individual market-opening measures on the table. They did not even endorse less contentious, collective trade facilitation proposals, such as a regional business visa, which the private sector had backed.

By not injecting political momentum at a critical moment, the leaders have raised doubts about the value of the Apec process.

One lesson may be that trade liberalisation is doubly difficult when it is attempted outside the framework of a proper negotiation, in which participants have to make concessions to attain their objectives. Asian leaders have always resisted a formal negotiation, arguing that peer pressure would spur liberalisation. Instead it has bred complacency.

Information technology

Manila's meagre results refute claims by its supporters that Apec is the supreme manifestation of how trade regionalism can get results faster than the World Trade Organisation, or can build important momentum for eventual multilateral deals. The summit's close was marked by open disagreements among leaders about the seriousness of their declaration of support for a WTO agreement to dismantle tariff barriers on information technology, a declaration which President Clinton fought hard to include in the final communiqué.

The US and other Apec members should conclude that multilateral negotiations, for all their shortcomings, are still the best way to advance global liberalisation. Governments should not be deflected by the mirage of regional agreements from the need to focus on making the WTO work better.

Still, Apec cannot easily abandon its ambitious target. Calling the meetings off would be a serious admission of defeat. It may be that this year's flop was induced partly by concern about weak export performance among Asian countries. As long as efforts at regional liberalisation proceed on a non-discriminatory basis, they cannot hurt the global effort.

Bilateral relationships

Furthermore, Apec serves a broader purpose. The meeting between Presidents Clinton and Jiang Zemin was an important opportunity to rebuild the bilateral Sino-US relationship at a personal level.

Some argue that Apec should move explicitly into the area of security. There is a certain logic to this. A desire to enhance regional security through economic integration was always an underlying motivation, as, on the part of many Asian participations, was a desire to keep the US engaged in Asia.

But Apec would scarcely be a practicable security forum. Not only is security inevitably taboo in any grouping that includes both Taiwan and China. The Asean regional forum, in which Russia and western Europe are also involved, is already established in that role.

Besides, the really hard regional security issues turn on the relations between the three main powers: the US, China and Japan. It is on their ability to establish an acceptable way of living together that the region's security really depends.

In the longer run, Apec's best hope may be to turn itself into a sort of G7, where the real business is conducted in private bilaterals between the leaders. That would not be ignoble. It is good that people talk, but even that modest objective will founder unless Canada, next year's host, manages to restore some credibility to its free trade vision.

Determined to stay ahead

Singapore's government is striving to maintain the island's lead over neighbouring Malaysia, writes James Kynge

For all its economic success, the Singapore government is notorious for a sense of caution that verges on insecurity. The country's leaders have often paused during the last three decades of accelerating prosperity to remind its citizens of the fragility of their new wealth.

Singapore has achieved one of the highest levels of per-capita income in the world, promoting high-technology foreign investment and developing famously efficient service industries: sea cargo transhipment, the airline and the airport, finance and tourism. But the exhortations to "work smarter and harder" are becoming more shrill.

The warnings reflect concern among Singapore's leaders that its economy is vulnerable to growing competition from other Asian countries. Foremost among the competitive threats is neighbouring Malaysia, the much larger federation which the island state left in 1965.

In a speech in August, Mr Goh Chok Tong, the prime minister, warned his people that Singapore's independence might be at stake: "If we fall behind and cannot make a living, we may have to ask to rejoin Malaysia."

His remarks followed similar comments along similar lines by Mr Lee Kuan Yew, the architect of Singapore's sparkling economic success. When Singapore left the Malaysian Federation in 1965 – just two years after it had joined – Mr Lee, then prime minister, wept as he delivered the news on Singapore's television station.

He opposed Malaysia's policy of favouring Malays over other races (the main cause of the dispute). He was also convinced that Singapore was too small to survive alone. Since then the economic success which he helped create in Singapore suggests he was mistaken.

But this year Mr Lee raised the possibility of rejoining Malaysia over a rare lunch with journalists in June. He declared that reunification was possible as long as Malaysia adopted a meritocratic system in which no race held a privileged position.

Foreign diplomats in Singapore were shocked by the proposal. Most of them now think that Mr Lee raised the issue not out of a serious desire to reunify but as a ploy to spur Singaporeans to greater efforts – it is an open secret that few in Singapore's ethnic Chinese majority want to reunite with a Malaysia dominated by ethnic Malays.

One concern for the island's leaders is the impact of rising costs on the competitiveness of its manufacturing industries which accounts for 25 per cent of gross domestic product.

For example, factory-machine operators in Singapore earn the equivalent of about US$540 a month, compared with $300 in Malaysia. While the island's current manufacturing downturn is largely due to a cyclical slowdown in global demand for electronics goods, there is increasing evidence of longer term, structural pressures.

Business leaders on the island warned recently that unless the cost of land and factory rentals, wages and some utilities were decreased, Singapore's competitiveness as an international manufacturing base could be jeopardised.

Another concern is the challenge to some of the pillars of the city-state's economy posed by ambitious economic projects of neighbouring countries, especially Malaysia.

For example, Singapore has the busiest port in the world after Hong Kong. It wins high marks for efficiency and generates more than 5 per cent of the island's gross domestic product. Malaysia, however, has grown impatient at watching some 56 per cent of its export cargoes being shipped to foreign markets from Singapore.

"We don't want to compete with Singapore but we have to try to handle our own cargo and take back that part of our cargo which goes through Singapore," says Mr M. Rajasingam, general manager of the Port Klang Authority, which oversees Malaysia's largest port.

An expansion project at Westport, part of Port Klang, reveals how serious Malaysia is. Some M$3bn ($1.2bn) is expected to be spent on increasing the number of deep-water berths at Westport from 12 to 32 in 2005.

By then, Malaysia aims to have won back all 3m TEUs (twenty-foot equivalent units) of its container cargo which now goes through Singapore. This is a significant part of the business of the Port of Singapore Authority, which last year handled 11.85m TEUs.

More important, Port Klang, touting its cost advantages over Singapore, has begun to woo cargoes for transhipment which are carried on ships to Singapore from countries such as India, Burma and Indonesia.

The Malaysian port has a long way to go before it can rival Singapore, but it has had some successes. Nineteen new shipping services have started calling at Port Klang this year, bringing the total to 28, according to port officials. Most of these new services are from nearby ports – but a few are by mainline vessels which take on a full load at Port Klang before setting sail for their destinations across the Pacific.

Another of Singapore's most valuable assets is Changi airport, a source of pride to Singaporeans. Regularly voted the world's best by travel industry magazines, it handled some 23m passengers last year with uncompromising efficiency.

Malaysia, though, has plans to trump it. The Kuala Lumpur International Airport, envisaged as a breezy glass and aluminium structure enclosing a small rainforest, is scheduled to open in January 1998 and will be able to handle 25m passengers in its first phase. By 2008 it hopes to manage 35m and by 2012, 45m. Officials make no secret of their desire to make the airport the hub for south-east Asia, a role currently enjoyed by Changi.

Financial services is another industry facing more competition. The financial markets of Singapore and Malaysia remained interlinked long after the two countries separated in 1965. As they disengaged, Singapore took the lead in innovation and reaped the benefits: the Singapore International Monetary Exchange (Simex), set up in 1983, was the first formal financial futures exchange in Asia. Fortified by its links with the Chicago Mercantile Exchange and Tokyo's stock market, Simex appears unassailable in the medium term.

But Malaysia has some advantages in the battle to be the region's financial centre. Its stock market is bigger and more liquid than Singapore's, and recent initial public offerings on the Kuala Lumpur Stock Exchange have proved popular. In contrast, Singapore has suffered several flops in new issues this year.

Last December Malaysia opened the Kuala Lumpur Options and Financial Futures Exchange (Kloffe) which trades stock market futures, and in May the Malaysian Monetary Exchange started trading the first interest-rate contracts denominated in Malaysian ringgits. Both markets made modest starts but turnover is expected to grow as the government permits the trading of other types of products, such as bond futures.

Another possible threat to Singapore's financial supremacy is the Malaysian tax haven of Labuan. A small island off the coast of Borneo, Labuan was unaccustomed to anything more complex than a fish auction until it was given its special status in 1990.

This allows it to offer secrecy, low taxes and few regulations on transactions in currencies other than the ringgit. It has become a base for 51 offshore banks, 15 trust companies and five insurance companies.

Singapore, however, remains the location of choice for regional corporate headquarters and research and development facilities.

Compared to the traffic-clogged, bustling national capitals that surround it, the island-state is an oasis of calm and safety with manicured roads and spotless shopping malls. Singapore is the safest and most convenient city in the region.

"The only advantage that other countries like Malaysia may have over Singapore for a regional headquarters is cost," says the manager of a European bank. "But when you consider all the other factors, this [advantage] is more than offset."

And recognising that rising costs mean that Singaporeans must offer the highest possible levels of skill, the government this year unveiled generous spending plans to boost the country's performance.

One project will spend S$1.5bn ($1.1bn) over the next five years to promote innovative thinking in schools. Another plans to spend S$4bn over five years on research and development.

Singapore's vision is for an "intelligent island" in which computers will replace paperwork and possibly cash.

"Our new vision is for Singapore to possess world-class science and technology capabilities in areas that best support our key industries and spur the growth of new high value-added industries," said Mr Yeo Cheow Tong, the trade and industry minister.

Unsurprisingly, Malaysia dreams of something similar, but bigger. This year the government launched a "multimedia super-corridor" – a 750 sq km zone near Kuala Lumpur which it hopes will become a global hub for information technology.

The zone will include a new administrative capital city (paperless, of course) and placid, Singaporean-style developments where so-called "knowledge workers" can live and create products unmatched by anything Singapore can offer.

But while Singapore is likely to find its neighbours gaining on it, its lead remains considerable. The concern of its leaders to ensure that the island-state retains its competitive advantage in south-east Asia should ensure that this is a race in which there will not necessarily be any losers.

· OBSERVER ·

Plan early for leaks

■ In Britain the leaking of Kenneth Clarke's (possibly final) Budget to the Daily Mirror, the historically left-wing tabloid newspaper that – superficially – loathes everything Clarke stands for, has set hares racing off in all directions.

None more spritely than those concerning the Mirror itself, which demurely said it didn't publish the details in order not to upset the markets. That's rather hard to credit – just like the Mirror itself.

In any case such larks come as no surprise to Norway, where in October last year one of the country's top three daily newspapers, the left-of-centre Dagbladet, went the whole hog and printed almost the entire national budget statement.

A sympathetic printer slipped the document to the newspaper, which printed all but the more tedious details the day the then Labour prime minister, Gro Harlem Brundtland, was to announce it in the morning to parliament.

The moral of recalling the Norwegian tale in this instance is very simple, and should be noted by those now about to round up the usual suspects in the UK. One month ago, another of Norway's leading newspapers, Aftenposten, mused about the notorious and highly embarrassing budget leak. In doing so, it observed that the source had never been traced.

Cost of comedy

■ And speaking of budgets, the situation in Denmark isn't so rosy either, as Jacob Haugaard, the professional comedian who in 1994 was elected as an Independent member to Denmark's parliament on a programme calling for a following wind on all bicycle paths, can testify.

Denmark's minority coalition government – comprising the Social Democrats, the Radical Liberals, and the Centre Democrats – faces a tricky situation; so far it hasn't obtained majority support for its 1997 Finance Bill.

One plausible scenario suggests that Haugaard could be left with a deciding vote; in other words, the choice of perhaps forcing Poul Nyrup Rasmussen, prime minister and leader of the Social Democrats, to call a general election.

Haugaard is most unhappy with that prospect. He told a local newspaper the other day: "I don't understand a word of the Finance Bill. In fact I don't even understand my own income tax return, but I can pay people to do that for me."

Haugaard-watchers note that despite a degree of urgency over this matter – the crucial vote is scheduled for December 19 – he hasn't yet opened negotiations with the minister of finance, Mogens Lykketoft, to demand something in exchange for his vote in favour of the Bill. That's quite surprising, given the season, as another of his election platform demands was – more presents from Father Christmas.

Mote in your eye

■ Despite the urgent need to return to London to put in a loyal appearance, Roger Freeman, Britain's minister in charge of deregulation, managed to pay a fleeting visit to Brussels yesterday, in order to trumpet a European Union initiative largely inspired by the UK – to cut red tape.

This burst of enthusiasm stands in sharp contrast to an appearance at an internal market council meeting earlier this year, when the so-called SLIM (Simpler Legislation for the Internal Market) initiative was first discussed. On that occasion SLIM was adamantly blocked by Britain, thanks to its stance of non-cooperation the EU in the high pitch of the beef war. And who was the UK's Mr Blocker? Why, the crusading Freeman himself.

Freeman also forgot to mention yesterday that, along with Germany, Britain is one of the EU's most enthusiastic producers of national bumf, with domestic rules and regulations far outnumbering the amount of red tape allegedly churned out by Brussels. Maybe Freeman should think about slimming down Whitehall.

Pork budgets

■ In Russia, too, minds are turning to matters budgetary. But in this case it's the personal budgets of MPs.

In a proposal that would make even the most venal US congressman blush, Galina Starovoitova, a former adviser to Boris Yeltsin and now an MP, has just floated the idea that the government should give all 450 deputies $1m apiece to spend as they think best in their parliamentary constituency.

Her argument is that every MP, who knows their constituents' needs far better than the government, could then direct the money to where it is most useful. That would [illegible] the government, and the MPs' enormous popularity. The government may not dismiss the idea as entirely crackpot. After all, it still needs MPs' support to pass next year's draft budget.

And the scheme has other merit: at least it cuts out the middleman.

The Financial Times

100 years ago

Motor Car Races.
We learn that Mr. Harry J. Lawson has, on behalf of the British Motor Syndicate, made a firm and substantial offer to the directors of the Epsom Grand Stand Association for the purpose from time to time of obtaining the use of the Epsom race track for motor car races. The scheme, which has its strikingly novel and picturesque side, meets, it is understood, with serious opposition in some quarters. That, however, Mr. Lawson hopes to overcome, and he states that, in his opinion, the races would become an immensely popular institution. In fact, he predicts that they would revive the thrilling interest in the chariot racing of the olden days.

50 years ago

Voting in Uruguay.
Señor Berreta is to be the new president of Uruguay as a result of the voting last Sunday. Settlement of the election removes one of the barriers to discussions on the future of foreign-owned enterprises in the country. It is expected that the new Government will favour a policy of partial nationalisation.

A WRITER

FINANCIAL TIMES

Wednesday November 27 1996

The MALT

Budget to put UK within criteria for Maastricht

By Peter Martin in London

Britain yesterday joined the list of countries promising to achieve the Maastricht criteria in 1997, with a Budget which made small cuts in planned government spending and income tax.

Mr Kenneth Clarke, the chancellor, said the UK's government deficit in 1997 would "by happy coincidence" be lower than the Maastricht threshold of 3 per cent.

The budget was largely as the markets had expected. Mr Clarke's room for manoeuvre was limited by the election due before May next year.

Public spending in the fiscal year beginning in April 1997 would be 2.3 per cent higher in nominal terms than in the current year, the government said, but 0.6 per cent lower than indicated in previous plans. The public sector borrowing requirement would be £19bn ($32.11bn) in the next fiscal year.

The government promised to close tax loopholes exploited by large companies and to cut the basic rate of income tax by one percentage point to 23 per cent.

"I am tightening fiscal policy now to reduce the risk of having to tighten monetary policy excessively ... to hit my inflation target," said Mr Clarke. Inflation in the fourth quarter of 1996 would be 3 per cent, falling to 2½ per cent by mid-1997, he said.

The markets' response was neutral. Sterling reached a 33-month high of DM2.5686 during the speech, but weakened slightly by the end of London trading, finishing at DM2.5520.

Three month interest rates fell slightly, with the futures contract assuming a quarter-point of monetary tightening by March.

Before the Budget, the expectation had been for a rise of a third of a point over that period. Long-term interest rates were unchanged.

Shares were largely unaffected, as trading ended before the end of Mr Clarke's speech.

Measured by the Maastricht definition, the government said its deficit would fall to 4 per cent this year and 2¾ per cent next. The debt to GDP ratio would remain below the Maastricht threshold of 60 per cent.

"This compares favourably with the position of other European Union member states," said the financial statement accompanying the Budget.

"Our option whether to join or stay out of a single currency, based on British national interest, remains a genuine choice for the next Parliament to exercise, when the time comes," said Mr Clarke. "We will qualify, but we will choose."

GDP would grow at an annual rate of almost 3½ per cent over the next 18 months, said the statement, thanks to strong growth in consumer expenditure, and sharp increases in business investment.

Budget details, Page 7; Analysis, Page 8; Lex

Channel tunnel fire leaves ash, rubble and wreckage

By Andrew Jack in the Channel tunnel

Deep inside the Channel tunnel, even 10 kilometres away from the point where fire raged at the start of last week, the air was still thick with the smell of smoke.

And at the site where the fire-stricken train halted and the blaze was at its worst, deep piles of grey rubble cover the tracks where they fell from the tunnel's curved roof, 50 metres below sea level.

Six wagons from the train remained stranded there yesterday, the first day that Eurotunnel, the Anglo-French tunnel operator, had allowed journalists to see the damage.

On one lorry carrier, a truck cab had been crushed by the ceiling of the wagon, which had buckled on top of it. Its cargo had been turned into a pile of ashes. Still discernible in other wagons were loads of paper, pineapples, even wrapped cheese slices.

However, even in the worst-affected part of the tunnel where temperatures had surpassed 800 degrees Centigrade, the damage appeared less severe than suggested in some initial reports.

Visible through crumbled sections of the concrete lining of the tunnel itself was the first grill of steel reinforcement, set several centimetres into the lining. Engineers on site said such damage stretched for about 300 metres.

Mr Pierre Matheron, who was in charge of construction for the French side of the tunnel and has come out of retirement to help with repairs, said he was "surprised but not shocked" by the damage.

He conceded that in places the lining of the tunnel was damaged to more than 30 centimetres of its 40-centimetre thickness. However, only 40 metres of rail track had buckled and had to be removed, he added, and the area of tunnel needing repair would be little more than half a kilometre.

The thick metal safety doors connecting the railway tunnel to the adjacent maintenance and emergency tunnel – through which passengers escaped – were undamaged, with only their yellow paint stripped off. The outline of the word "exit" was still visible.

Mr Dominique Dorso, one of the engineers leading the renovation work, said he believed full repairs would take six months, "and that will still be a big challenge".

However, Eurotunnel officials said they believed a partial Eurostar passenger service could begin as early as the beginning of next week – subject to approval of a safety committee which is scheduled to meet again today.

THE LEX COLUMN

Chortling chancellor

Rarely has a British pre-election Budget been so boring. From the perspective of financial markets, that is no bad thing. Mr Kenneth Clarke, the chancellor of the exchequer, did come up with a small bribe by cutting the basic rate of income tax. But the overall fiscal stance was remarkably conservative for this stage of the electoral cycle. Once the slew of tax increases is taken into account, the net tax give-away is only 0.1 per cent of GDP. Subtract the effects of lower spending and there is actually a fiscal tightening of 0.23 per cent of GDP.

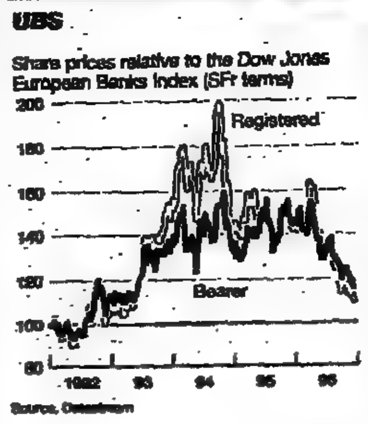
All this puts the UK's public finances in better nick than many feared – certainly better than those of many European countries, which are having to fiddle their figures to meet the Maastricht Treaty's conditions for monetary union. That is good news for gilts, though equities may not fare as well, given that the tax increases will fall predominantly on companies.

But Mr Clarke will make a big mistake if he thinks the Budget removes the need to tighten monetary policy. Much more restrictive fiscal policy would have been needed for that. With economic growth accelerating, inflation seems set to exceed the government's already implausible 2½ per cent target by a wide margin unless interest rates are put up again. To be fair, all Mr Clarke has said is he wants to avoid tightening monetary policy "excessively". The sooner he acts, the greater the chance of achieving that.

FTSE Eurotrack 200: 1913.1 (+10.7)

UBS

Share prices relative to the Dow Jones European Banks Index (SFr terms)



Source: Datastream

Budget casualties

The chancellor was looking for easy targets to offset his personal tax give-aways, and targets come no easier than the utilities. Squeezing capital allowances on long-life assets looks rather like the Tory equivalent of Labour's utility windfall tax, since it will largely hit water and electricity companies with their networks of pipes and wires. With the measure forecast to raise £875m in 1999, it could look as much as Labour's version over the life of a parliament.

Alcopops, fruit-flavoured alcohol drinks, were another sitting duck, given their appeal to under-age drinkers and the fact that they have grown into a £300m-a-year business in just two years. Bass accounts for two thirds of those sales and, while consumers will take most of the price increase, it could take a £3m profits hit. The electrical retailers look worse off, following likely tax increases on their highly profitable warranties. The tax hit could knock 5 to 10 per cent off Dixons' profits if it has to pay VAT on warranties. The proposed measures on warranties would also impact travel agencies, television rental firms such as Thorn and car hire companies.

The tour operators had a particularly bad afternoon. The increase of up to £10 on air passenger duty matches their average profit per holiday, so it will clearly be passed on, but at some cost to volumes. By contrast, the increase in the insurance premium tax will have only a minimal impact on the UK's general insurers, as consumers will bear the brunt.

UBS

Union Bank of Switzerland's reputation as the plodder among the big three Swiss banks is richly deserved. Not only is it the last to tackle the problems of the dire domestic market but yesterday's restructuring package is also the most timid of the three. UBS is cutting 800 jobs in Switzerland, half as many as Swiss Bank Corporation and fewer than a quarter of the number going at CS Holding. UBS says it has been trimming staff for years. But at the end of this exercise it will still have a bigger Swiss workforce and 20 per cent more branches than its two rivals, yet roughly the same domestic market share.

The one-off loan provision of SFr3bn is more of a step forward. UBS is finally acknowledging the dire state of the Swiss economy, now in its sixth year of recession. But this special charge, coming on top of SFr1.4bn of regular bad debt provisions this year, puts paid to the long-held belief that the bank's asset quality is superior to that of its peers. It has now provided against fully 8 per cent of its domestic loan portfolio.

UBS forecasts that this shake-up will boost its return on equity from 7½ per cent last year to 12 per cent by 1999. This is slightly disingenuous, since pulling provisions into 1996 inevitably flatters future years. It cannot hide the fact that the group remains overcapitalised with a tier 1 capital ratio of around 9 per cent – and that it will take further restructuring to make anything approaching a decent return in its home market.

Italian equities

Maastricht-inspired euphoria has done wonders for Italian bonds and the currency, but has left equities out in the cold. The Italian stock market has underperformed the rest of Europe excluding the UK by 20 per cent since 1995, despite the arrival of an apparently fiscally responsible government.

As a result, the gap between bond yields and the earnings yield on equities has narrowed to 1.5 percentage points, against an average of 7 points over the past decade. Yet double digit earnings growth is expected over the next three years.

However, Maastricht will carry a considerable cost. The downward push in the lira's European exchange rate mechanism parity of L990 to the D-Mark has the same economic impact as an interest rate rise, at a time when economic growth is slowing. Yet the Bank of Italy is unlikely to cut interest rates until the budget is approved. Exporters, which is one of the most dynamic segments of the stock market, will suffer. Moreover, a tighter budget and impending Euro-tax will put back a consumer recovery, to the detriment of the likes of Fiat.

Of course, falling bond yields could encourage some switching into equities, while the gradual introduction of privately-funded pension funds should fuel demand for equities. But poor corporate governance, combined with the absence of any drive towards delivering shareholder value via restructuring, provide compelling arguments against a significant rerating.

Jardine Fleming withdraws Karachi exchange nominee

By Norma Cohen in London and Farhan Bokhari in Islamabad

Jardine Fleming, the Hong Kong-based investment bank, has withdrawn its nominee for its first member of the Karachi stock exchange after an accusation that the man had submitted a forged document.

The affair has sparked an outcry in Karachi where the KSE is already reviewing its rules for foreign-owned brokerages. Local brokers say the affair is likely to raise pressure on the exchange for tighter rules for foreign brokers.

The move is also another blow to the reputation of Jardine Fleming, jointly owned by Jardine Matheson, the Hong Kong conglomerate, and Robert Fleming, the UK investment bank.

In August, regulators in Hong Kong and London forced it to pay $20m in fines and compensation to clients after one of its top fund managers was discovered to have diverted profitable trades to his own personal account.

In Pakistan, the application of Mr Tariq Jamal, which Jardine Fleming submitted to the Karachi exchange last month, included an allegedly forged university diploma, according to documents obtained by the Financial Times. Jardine Fleming intends to appoint Mr Jamal head of broking for JF Brokers Pakistan (Private) Ltd, a new firm.

The documents show that Jardine Fleming had considered forming a joint venture with MRJ Broking, the firm which had formerly employed Mr Jamal. MRJ is controlled by Mr Jamal's father, Rashid. It owes Jardine Fleming roughly $4m, understood to be the proceeds of unsettled trades.

Jardine Fleming in Hong Kong said it had considered the joint venture not only as a means of obtaining approval for KSE membership, but also as a way for MRJ to settle its debt. However, according to the documents, Jardine Fleming abandoned plans for a joint venture with MRJ after "very negative feedback from reliable sources within the banking community in Pakistan". It also abandoned efforts to force Mr Rashid Jamal, as part of the deal, to "repay" $250,000 of MRJ's debts in the form of an office at the KSE and a telephone booth on the KSE floor.

In Hong Kong yesterday, Jardine Fleming said it believed Mr Tariq Jamal's Bachelor of Commerce degree from the University of Karachi was genuine and that he was a highly skilled broker.

Pakistan's finance ministry has given Jardine Fleming until April 1997 to form a joint venture as a prelude to obtaining a full stock exchange seat.

Jardine Fleming said yesterday it had submitted an alternative name to the KSE for approval and was considering alternative joint ventures.

Havana refuses Spain's ambassador

Continued from Page 1

Spain and the European Union were seeking with the Cuban government.

Spain has been the driving force behind a new EU stance pressing Cuba to move towards democracy and improve its human rights record, and offering increased co-operation if progress is made. Yesterday's statement by the Cuban government said the Spanish government had "transformed itself into a spearhead for US interests within the EU".

The move followed a meeting this month between Mr Aznar and Cuban President *Fidel Castro during the Ibero-*American summit in Chile. Mr Aznar was understood to have offered to help persuade the EU to provide economic assistance if Cuba moved towards democracy. But this received a flat rejection from Mr Castro.

Spain is one of the leading foreign investors in Cuba, with interests in tourism and other sectors worth an estimated Pta10bn ($80m).

It has also been enjoying rapid growth in its exports to the island, expected to increase to around Pta70bn this year.

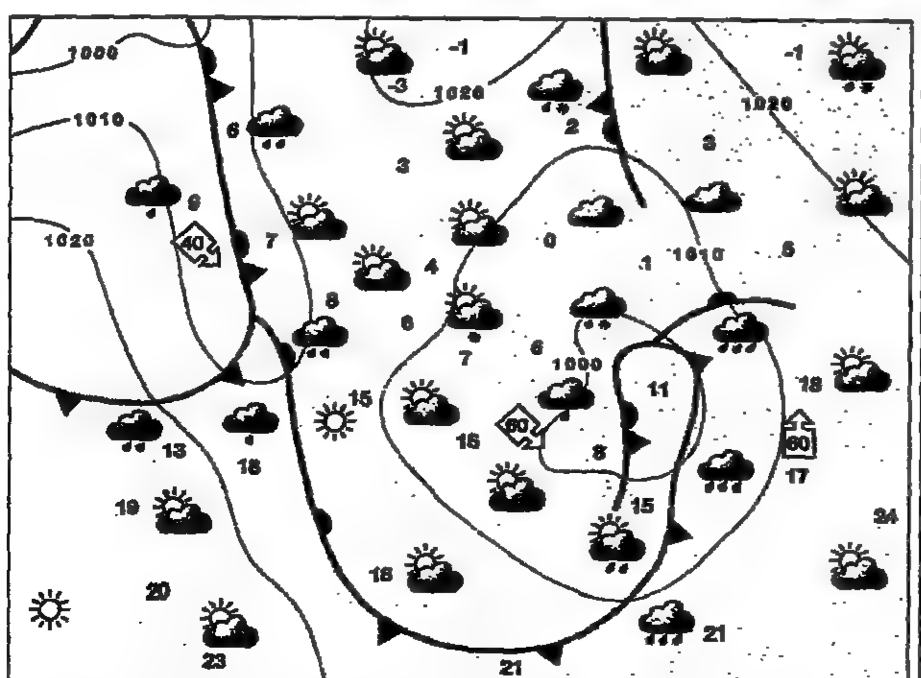
FT WEATHER GUIDE

Europe today

The Benelux will have sunny periods. Germany will be mainly dry with sunny periods. The disturbance which brought precipitation to north-western Europe will move through the Balkans. A new disturbance will bring rain to the British Isles but sun is expected in the south. Western France will have rain but the south-eastern Mediterranean coast will have plenty of sun. Rain is expected in northern Spain but the south will have a mixture of sun and cloud. Italy and the southern Alps will have sunny periods but there will be snow in the northern Alps.

Five-day forecast

The disturbance over the British Isles will gradually move into the continent bringing abundant rain to north-western Europe. High pressure will provide Spain and Portugal with ample sunshine. A low pressure area will bring rain to Italy and the Balkans.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum	Beijing	sun 2	Caracas	fair 28	Faro	fair 19	Madrid	fair 16	Rangoon	fair 32
	Celsius	Belfast	rain 7	Cardiff	rain 7	Frankfurt	cloudy 3	Majorca	fair 18	Reykjavik	shower 1
Abu Dhabi	sun 26	Belgrade	rain 4	Casablanca	fair 19	Geneva	fair 7	Malta	fair 16	Rio	fair 25
Accra	cloudy 30	Berlin	cloudy 0	Chicago	fair -2	Gibraltar	fair 19	Manchester	rain 5	Rome	fair 14
Algiers	cloudy 21	Bermuda	shower 22	Cologne	fair 2	Glasgow	rain 4	Manila	fair 30	S. Frsco	fair 18
Amsterdam	cloudy 4	Bogota	fair 19	Dakar	fair 32	Hamburg	fair 2	Melbourne	cloudy 21	Seoul	fair 6
Athens	shower 16	Bombay	sun 34	Dallas	cloudy 11	Helsinki	fair -1	Mexico City	fair 23	Singapore	shower 30
Atlanta	fair 13	Brussels	fair 4	Delhi	sun 25	Hong Kong	sun 25	Miami	fair 28	Stockholm	fair 0
B. Aires	sun 28	Budapest	rain 2	Dubai	sun 27	Honolulu	fair 29	Milan	fair 7	Strasbourg	fair 5
B.ham	rain 4	C.hagen	shower 3	Dublin	shower 7	Istanbul	rain 18	Montreal	sun -7	Sydney	sun 29
Bangkok	fair 34	Cairo	fair 23	Dubrovnik	rain 6	Jakarta	fair 31	Moscow	cloudy 1	Tangier	cloudy 18
Barcelona	fair 17	Cape Town	sun 27	Edinburgh	shower 5	Jersey	rain 10	Munich	sleet 1	Tel Aviv	fair 24
						Karachi	sun 29	Nairobi	shower 25	Tokyo	rain 17
						Kuwait	fair 25	Naples	fair 12	Toronto	cloudy -2
						L. Angeles	sun 23	Nassau	fair 28	Vancouver	rain 11
						Las Palmas	fair 23	New York	fair 4	Venice	fair 7
						Lima	fair 22	Nice	sun 15	Vienna	sleet 2
						Lisbon	fair 17	Nicosia	shower 22	Warsaw	cloudy 0
						London	shower 7	Oslo	fair -3	Washington	sun 7
						Lux.bourg	cloudy 1	Paris	rain 5	Wellington	cloudy 15
						Lyon	fair 7	Perth	fair 25	Winnipeg	sun -8
						Madeira	shower 21	Prague	sleet 0	Zurich	sleet 5

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday November 27 1996

IN BRIEF

Regulators agree to develop rules

Regulators from around the world have agreed to develop rules that would allow them to identify large exposures in commodity futures and over-the-counter markets. The agreement, announced after a meeting in London, comes in the wake of the Sumitomo trading scandal where Mr Yasuo Hamanaka ran up losses of $2.6bn in the copper market. Page 20

TGN plans gas pipeline to Brazil
Argentina has moved closer to supplying gas to the potentially vast Brazilian market with the announcement by Argentine group Transportadora Gas del Norte (TGN) that it intends to build a pipeline to southern Brazil. The pipeline would stretch some 440km and cost at least $250m to construct. Page 14

Sidor sale draws global interest
The privatisation of Venezuela's Siderúrgica del Orinoco (Sidor), the last Latin American steel complex to remain in state hands, is attracting keen interest among Mexico's leading steel companies, as well as other groups such as Kobe Steel of Japan and Dong Kui Steel Mill of South Korea. Page 15

Olivetti dissolves emergency committee
Olivetti, the troubled Italian information technology company, dissolved the executive committee set up as an emergency measure in September, reinforcing the power of Mr Roberto Colaninno, the chief executive, and the 17-strong board. The company said the committee, which was increased last month from four to five members, was no longer needed, and that its dissolution followed a period of stabilisation.

UK power group to post dividend rises
National Grid Group, the owner of the high-voltage transmission system in England and Wales, said it planned to deliver real dividend increases of 4 to 5 per cent, higher than expected by the stock market, over the next four years. However, the company risked the electricity regulator's ire by unveiling a plan to achieve this growth on the back of 6 per cent real reductions in controllable costs a year, over the four years beginning next April.

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)				**PARIS (FFr)**			
Rises				Rises			
BMW	956	+	32	BIC	784	+	34
Falls				Chargeurs	235	+	9
Allianz	1228	-	32	Danone	883.7	+	8.7
Degussa	537	-	12.0	Falls			
Henkel	597.5	-	18.5	Air Liquide	780	-	10
SGL Carbon	190	-	1.8	Lafarge	318	-	11
Viag	467	-	11	Legrand	919	-	12
NEW YORK ($)				**TOKYO (Yen)**			
Rises				Rises			
Bay Inds	43¼	+	2¼	Goldwin	778	+	11
[illegible]	66¼	+	3¼	Hitachi Koki	940	+	25
Texas Inst	60¼	+	4¼	[illegible]	2590	+	70
Falls				Nitto Denko	1870	+	60
Dana Corp	33¼	-	2	Falls			
[illegible]	21¼	-	4¼	[illegible]	555	-	13
Transocean	60¼	-	3¼	Toyo Ink	525	-	25
LONDON (Pence)				**HONG KONG (HK$)**			
Rises				Rises			
Asberley Grp	1051	+	12	CDL Hotels	4.05	+	0.10
[illegible]	1053	+	25	First Pacific	10.55	+	0.10
Falls				HK Electric	24.90	+	0.15
AEA Tech	570	-	18	Wharf Hldgs	30.70	+	1.10
Courtaulds	403	-	13½	Wing On Co	8	+	0.10
Eurotunnel Uts	75½	-	3½	Falls			
Specialeyes	58	-	4	TVB	28.90	-	0.20
TORONTO (C$)				**BANGKOK (Baht)**			
Rises				Rises			
[illegible]	48.00	+	2.00	President Rice	22.25	+	1.75
PC Docs Grp	12.60	+	2.00	[illegible]	13.25	+	1.00
[illegible]	29.00	+	1.50	Royal Orchid	14.75	+	1.50
Falls				Safety Ins	23.50	+	1.75
Alphanet Tel	18.00	-	1.80	Falls			
Dia-X Minerals	20.15	-	2.40	Nippon Pack	73.50	-	3.50
Newbridge	87.80	-	2.25	[illegible]	23.50	-	2.50

New York and Toronto prices at 12.30.

Anglo defends Lonrho purchase

Chairman says 26% stake is long-term investment as he unveils strong interim results

By Kenneth Gooding, Mining Correspondent

Mr Julian Ogilvie Thompson, chairman of Anglo American Corporation of South Africa, yesterday fended off criticism of the company's recent purchase of a 26 per cent stake in Lonrho, the conglomerate, as he unveiled strong interim results.

Headline earnings, which exclude both exceptional gains and losses and surpluses on disposal of investments, increased by 22 per cent to R2.443bn ($530m), well ahead of forecasts. Mr Ogilvie Thompson said headline earnings in the second half were likely to be similar to those of the first six months and this would "give significant real growth for the year".

However, questions from analysts and fund managers in London and Johannesburg suggested the investment community remains puzzled by Anglo's Lonrho purchase, particularly as it might bring Anglo into conflict with the European Commission by potentially increasing the group's influence in the global platinum market. "You paid R2.5bn and you guys don't seem to know what you are going to do with it," one analyst complained.

Mr Ogilvie Thompson said the stake was a long-term investment of a type Anglo was experienced at handling.

He promised that, although at present Anglo was showing a loss on the stake – bought from Lonrho's former chief executive Mr Dieter Bock – "in the long term, shareholders will be pleased with the deal". He said Anglo had always realised that, because of its own dominant position in the platinum market, "it would be against the rules to interfere with Lonrho's platinum operations".

Discussions about the platinum issue had started with the European Commission "and we are confident we can come to a satisfactory arrangement".

Anglo's net earnings for the six months to end-September increased by 52 per cent to R2.975bn (1,045 cents a share compared with 837 cents in 1995). The interim dividend is being lifted by 28 per cent to 160 cents.

Anglo also announced yesterday that it had created South Africa's first black-owned mining house by selling its controlling stake in JCI, the gold producer, to a consortium led by Mr Mzi Khumalo, a former political prisoner on Robben Island. Anglo has sold 34.9 per cent of JCI to the African Mining Group, a consortium of black investors, for R2.8bn.

Pearson acquires Putnam Berkley for $336m

By Raymond Snoddy

Pearson, the UK media and entertainment group, yesterday significantly extended its international publishing interests by paying $336m for Putnam Berkley, a leading publisher of best-selling authors in the US.

The deal underlines Pearson's commitment to general trade publishing as well as educational publishing and will make its Penguin subsidiary the second largest English language trade publisher in the world.

Although the purchase from MCA, the media group controlled by Seagram, was carried out by the existing Pearson management, Ms Marjorie Scardino, who takes over as Pearson chief executive in January, was kept fully informed of the negotiations and supports the acquisition.

Putnam Berkley, which specialises in best-selling authors such as Tom Clancy, Patricia Cornwell, Dick Francis and Kurt Vonnegut, had operating profits of $84m on sales of $276m in the year to the end of June.

The deal was structured to ensure that Pearson, whose interests include the Financial Times, would get the benefit of pre-Christmas sales, estimated at $20m in positive operating cashflow.

Mr Michael Lynton, who succeeds Mr Peter Mayer at the end of this year as chairman and chief executive of Penguin Group, said yesterday: "The two businesses complement each other extremely well. They will create a very powerful publishing house able to attract more authors than the two individually."

Penguin has a strong backlist of titles while Putnam's strengths lie in its "frontlist" of contemporary authors who typically write a new book every year.

One factor in the deal was the position of Ms Phyllis Grann, the present chairman and chief executive of Putnam. It is believed Pearson was her preferred purchaser once it was decided the business was for sale. Ms Grann will become president of the Penguin-Putnam businesses.

Pearson debt under review, Page 18

Disney shares lifted by late surge in profits

By Richard Tomkins in New York

Big profit increases from films, theme parks and broadcasting helped Walt Disney, the US entertainment group, record a 60 per cent surge in underlying net profits to $354m in its fiscal fourth quarter to September, the company reported yesterday.

Earnings per share, boosted by $462m worth of stock repurchases during the quarter, rose by 63 per cent to 52 cents, well ahead of the expected 48 cents. The shares were $2¾ up at $76¾ in early trading.

The strong fourth quarter performance, driven by a 12 per cent increase in revenues to $5.3bn, helped offset weak performances in the first two quarters, leaving full-year net profits 16 per cent ahead at $1.5bn. These pro forma figures assume that the $19bn acquisition of Capital Cities/ABC, completed in February, had been in effect for the whole of both years.

Mr Michael Eisner, chairman and chief executive, said the performance showed the integration of Disney and ABC was working well, while Mr Michael Ovitz, president, highlighted record attendances at Disney's theme parks.

In the creative content division, the biggest of the three, fourth quarter revenues rose by 18 per cent to $2.7bn and operating profits rose by 31 per cent to $387m. Disney said the figures reflected the successful domestic home video releases of Oliver & Company and Aladdin and the King of Thieves, the domestic box office success of Phenomenon, and strong performances in the international market by The Rock and The Hunchback of Notre Dame.

The division's results also reflected growth in consumer product licensing, Disney said, but the increases were partially offset by lower television results due to the syndication of Home Improvement in the prior year.

Broadcasting increased revenues by 4 per cent to $1.4bn and operating profits by 36 per cent to $229m.

Disney said the division benefited from reductions in programme amortisation and other costs attributable to the acquisition, primarily at the television network. These outweighed the impact of a further drop in ratings.

The theme parks division increased revenues by 11 per cent to $1.2bn and operating profits by 16 per cent to $242m, resulting from record attendances and increased spending by visitors to Walt Disney World and Disneyland. Disney said these gains reflected increases in domestic and international tourism.

Reuter

Michael Eisner: pleased with ABC's integration into the group

Denmark seeks to form joint Nordic bourse

By Greg McIvor in Stockholm

The Danish stock exchange said yesterday it was interested in forming a common Nordic bourse with Stockholm, Helsinki and Oslo in a bid to meet the challenge of stock market integration in Europe.

The decision adds urgency to debate in Scandinavia about the feasibility of a pan-regional trading system. Mr Lars Johansen, Copenhagen bourse managing director, said the Nordic countries needed a bigger platform to compete with other European bourses. "The way forward for us is to participate in a Nordic bourse," Mr Johansen said in a Danish newspaper interview.

A joint Nordic bourse would join Paris as the third biggest stock exchange in Europe, measured by domestic turnover. The four markets had combined turnover in October of $48bn, putting them behind only London and Frankfurt.

Their market capitalisation was $357bn at the end of June, leaving them fifth after Zurich and Paris, on $401bn and $538bn respectively. Mr Johansen said growing integration on the European securities market made it necessary for the four main Nordic countries to co-operate by means of trading and information systems.

He envisaged the creation of a pan-Nordic bourse within three years, predicting full talks between the exchanges would start next year.

If no merger could be agreed, Copenhagen would consider a merger with Stockholm alone or look for potential partners further south, in Benelux, Germany or France, he said. "In that case, we are talking about a longer time period, but trade is conducted electronically so there are no physical limitations on co-operation."

The four main Nordic bourses have in recent weeks held informal discussions about collaboration. But many observers have been sceptical about a full merger, suggesting Stockholm's dominance would prove an insurmountable obstacle for the others.

Stockholm would represent about 55 per cent of joint market capitalisation and trading volume. However, its attention is deflected by negotiations on a possible merger with OM Group, the Swedish derivatives exchange operator, which is the largest single owner in the Stockholm bourse.

Mr Bengt Ryden, head of the Stockholm stock exchange, said he did not believe a full-blown merger between the bourses was politically feasible in the short term, but he was in favour of creating a common trading link between them.

Barry Riley

Economic cost of Italy's financial success

Italy's financial rehabilitation continued at the weekend with the lira's ERM re-entry at DM990, a round number designed by a European Union committee. This follows the amazing re-rating of Italian government bonds recently, with the spread against 10-year German bunds shrinking from 500 basis points to 175 since January.

These bonds are now rated more highly than UK gilts, a reflection of the refusal of the British government to make up its mind on the single European currency. Yet Britain's reasons for hesitation are only confirmed by the Italian experience.

Despite (or rather, because of) the financial recovery Italy has achieved, including a 28 per cent rally by the lira against the D-Mark in 19 months, the economy has slumped.

Real growth may be less than 1 per cent for 1996, and recovery h. es for 1997 are fading fast, bearing in mind that a special Euro-tax is proposed to massage down the budget deficit. True, inflation has now fallen below the British rate.

Yet for all the misery, the Italians see economic and monetary union as offering an escape route from their country's fiscal crisis. Public sector indebtedness is, notoriously, 125 per cent of gross domestic product, more than twice the Maastricht reference level.

On its own, Italy has faced a drift into insolvency or inflation, which is why its bonds yielded almost 14 per cent as recently as last year.

Inside Emu, the sums would look different, and the bond market has already rewarded Italy for effort.

Thus Italy has achieved a primary surplus (a budget surplus before debt interest, the latter being more than 10 per cent of GDP). The big falls in interest rates will help the budget progressively and quickly as the debt (whose average term is 3½ years) is rolled over.

But will this be enough?

Yet for all the misery, Emu is seen as an escape route from the country's fiscal crisis

There is talk of cosmetic measures to defer certain interest payments in order to squeeze beneath the fiscal deficit ceiling in 1997. A much more fundamental debt restructuring could follow in due course.

That prompts the nasty thought that Italy's quickest and most direct route into Emu would be first to write down its debt by half.

This seems unthinkable, but remember that the debts totalling 125 per cent of GDP represent only part of government obligations. The present value of unfunded future pension deficits amounts to much more than *another* 100 per cent of GDP.

The bond market assumes complacently that the government will default on part of these social security promises (indeed, it has already started to renege), but will fully honour the contractual debts. Is this realistic?

Pension cuts anger a lot of voters – and in Italy, they vote often. But then, debt restructuring or default would be hazardous too because public sector debt has almost entirely been held domestically, and largely by private investors.

On the other hand, overseas ownership of Italian government debt has recently risen above 20 per cent.

Signing up for the euro would by no means be a soft option for Italy, because effectively it would have converted its debt into a foreign currency and given up its inflation option.

Perhaps euro real rates will be affordably low. Maybe a massive privatisation programme would permit Italy to repay a large proportion of its debt.

Believe it if you wish. All the same, credit rating agencies are now calculating that, post-Emu, high-quality Italian private sector borrowers would enjoy a better rating than the government.

In the background are those worries that Padania, as the northern separatists dub their region, will carry away most of the wealth and income, leaving the south with too many of the debts.

Even without such a disaster, Italy has an awfully long way to go to rescue its public finances. And Emu is a shaky support indeed.

Lloyds TSB to sell off Macquarie holding

By Nikki Tait in Sydney and George Graham in London

Lloyds TSB, the UK banking group, will record a pre-tax profit of around £40m ($66.8m) on the sale of its remaining 13.4 per cent stake in Australia's Macquarie Bank to the Brunei Investment Agency, the investment arm of the government of Brunei.

Lloyds inherited the Macquarie stake with Hill Samuel, the merchant bank it acquired when it merged with TSB Group last year. The group has been rapidly shutting down or selling most of its investment banking activities, leaving fund management as the only significant business still to bear the Hill Samuel name.

The 19.96m Macquarie shares are being sold at A$7.60 each, or just over A$151m (US$122.5m). The price is pitched at a significant discount to the market price for Macquarie, which listed last July. Macquarie shares closed 6 cents lower at A$8.68 on the news.

The sale ends months of speculation over Hill Samuel's intentions towards its stake in the Australian investment bank.

Macquarie was born out of the former Hill Samuel Australia operations in the mid-1980s, and the UK bank remained the largest single shareholder. It reduced its stake from 100 per cent to 30 per cent in 1985, and cut this to 15 per cent four years ago. Speculation that it would sell out entirely has been widespread since Lloyds merged with the TSB Group.

Mr David Clarke, Macquarie chairman, said yesterday that he understood Lloyds did not view investment banking as a core activity.

Macquarie said it knew BIA through a "dialogue" on business opportunities in Australia, although there had been no significant financial link. However, BIA had indicated it would be interested in acquiring the Hill Samuel stake, and talks on the deal started in August.

Mr Allan Moss, Macquarie managing director, said the transaction was originally struck on a provisional basis – subject to approvals – when the bank's share price was just over A$8, and that the large discount had developed since then.

The approvals, which include clearance under Australia's foreign investment guidelines, have now been given.

BIA, which is buying the stake via its Brunei Investment and Commercial Bank subsidiary, will have the right to take its stake to 15 per cent and to have a representative on the Macquarie board.

Although there are no formal guarantees, Mr Clarke said that it was in the nature of BIA to be a long-term investor.

BIA has other financial services investments in the region, including broking firms in the Philippines and Japan. It also owns a large agricultural property in Australia's Northern Territory.

Macquarie Bank said that it was "very proud" of the new association, which it saw as consistent with its growing range of interests across Asia.

"I would hope we could work with them [BIA] on a number of investment projects in the region," Mr Clarke said.

Macquarie has a market capitalisation of about A$1.3bn.

Assets under management exceed A$20bn.

TGN plans gas pipeline to Brazil

By David Pilling in Buenos Aires

Argentina has moved a step closer to supplying gas to the potentially vast Brazilian market with the announcement by Argentine group Transportadora Gas del Norte (TGN) that it intends to build a pipeline to southern Brazil.

The pipeline, which would stretch some 440km from Entre Rios province in northern Argentina to Rio Grande do Sul in southern Brazil, would supply gas provided exclusively by YPF, the privatised Argentine hydrocarbons group. It would cost at least $250m to construct.

Under an agreement between TGN, YPF and Petrobrás, Brazil's state oil group, gas would be sold via Petrobrás to a private company operating a yet-to-be-built 480MW combined-cycle generator in Rio Grande do Sul. The company will be determined by a public tender being organised by Rio Grande's state electric utility.

YPF executives said the pipeline, expected to transport 2.5m cu metres of gas daily, would mark an important breakthrough in the gradual liberalisation of Brazil's energy market.

YPF has a strategic alliance with Petrobrás through which the two companies plan to develop joint ventures in Argentina, Brazil and other Latin American countries, and through which YPF hopes to prize open opportunities in Brazil's traditionally closed energy sector.

Argentina meets nearly a third of its energy needs through natural gas, while gas fills only 1 per cent of Brazil's energy requirements, creating a huge potential for Argentine exports.

YPF is among several companies exploring for gas in north-western Argentina with the intention of proving sufficient reserves to justify a much bigger pipeline to São Paulo, the industrial heartland of South America.

KTM offering faces revved-up demand

The Austrian motorcycle maker hopes to capitalise on success in niche markets

Ten years after Harley-Davidson, the US motorcycle group beloved of Hell's Angels and the Californian Highway Patrol, roared back on to Wall Street, KTM, an Austrian competitor, is gearing up to be Europe's first publicly quoted specialist motorcycle company.

Harley-Davidson and KTM operate in different niches of the motorcycle market, but have a similar financial history. Harley-Davidson was on the verge of bankruptcy when it was rescued by a new management team which proved it was possible for a small manufacturer to compete with BMW and the Japanese giants by developing a cult image in a niche market. Today, Harley-Davidson produces far fewer bikes than it can sell, and its shares are selling at an exclusive 35 times earnings.

KTM, based in Mattighofen in Upper Austria, began making motorcycles in 1963 and was producing off-road bikes before the Japanese. However, its strategy of concentrating on a limited range of high-performance competitive motorcycles led to bankruptcy. In December 1991 a new management team took over, led by Mr Stefan Pierer.

Taking off: KTM has restored its fortunes by aiming its products at people who prefer racing their bikes to polishing them

Mr Pierer has steered clear of competing directly with the Japanese volume producers. Instead he has exploited KTM's success in competition racing to extend its sporty image into related markets. A KTM rider won the first Motocross world championship in 1974 and New Zealand's Shayne King rode a 360cc KTM machine to victory in this year's Motocross championship.

While Harley-Davidson's recovery owed a lot to its appeal to ageing swingers, such as Malcolm Forbes, late publisher of Forbes magazine, KTM aims at the kind of bikers who want to race their machines rather than polish them.

The result is that KTM's sales have more than doubled, to 15,086, since the new team took over. In 1996-97 it expects to build more than 18,000 machines and top 20,000 the following year – still small beer when compared with Honda's 4.5m or Harley-Davidson's 118,000.

However, KTM now exports more than 90 per cent of its output and in the year to end-August 1996 increased its pre-tax profits by a third to Sch101.9m ($9.53m) on a 25 per cent rise in sales to Sch1bn. The current earnings per share of Sch17 figure is calculated after a venture capitalist has taken two-thirds of the Sch81.8m net profit. The venture capitalist's stake will decrease after the flotation with the result that Austrian analysts forecast earnings between Sch37 and Sch47 a share in 1996-97, rising to Sch51 in 1997-98.

KTM is the first initial public offering on the Austrian stock exchange for more than a year and is generating a level of excitement not seen since Wolford, the Austrian maker of women's luxury hosiery, came to the market in February 1995.

KTM plans to float almost half of its equity at a price ranging between Sch500 and Sch600 per share. Joint lead managers are Creditanstalt and Deutsche Morgan Grenfell. In the past, such issues had to rely on heavy international demand to be successful. This time, however, there is a pent-up demand among Austrian retail investors who missed out on the Deutsche Telekom issue.

As a result, KTM shares may open at a substantial premium to their upper price of Sch600 when trading begins in mid-December. Last week SEZ, an Austrian high-tech company, floated its shares on the Swiss market at DFr960. In the first three days of trading they nearly doubled. The danger is that the same thing might happen with KTM, deepening foreign investors' perception that the Austrian market is rigged against them.

The KTM offering will provide a clue to whether the Austrian stock market has changed, or is still a cosy club where the insiders get the best deals.

William Hall

Australian airports operator climbs 14%

By Nikki Tait in Sydney

Australia's Federal Airports Corporation, whose 22 airports are being privatised by the federal government, yesterday announced that annual operating profits rose 25.1 per cent to A$160.4m (US$130.2m).

Profit after tax and abnormal items stood at A$78.1m, a 14.5 per cent increase on the previous year. Total revenues rose 14.6 per cent to A$579.3m, driven largely by higher property and commercial revenues.

Aggregate domestic passenger numbers rose 6.6 per cent, while international passengers increased more sharply, by 11.3 per cent to 12.7m. Much of the profit increase was attributed to a record performance from Sydney airport, which has been excluded from the privatisation programme until "noise" issues can be resolved. Sydney notched up a pre-interest profit of A$91m, an increase of A$22.3m.

Of the three airports being privatised in the first tranche, Perth registered the strongest gain, with profit up 34 per cent at A$24.1m before interest. Brisbane saw earnings increase 2.5 per cent to A$44.6m, while Melbourne slipped 7.7 per cent to A$48.5m.

The government has asked a shortlist of around 12 bidders to draw up offers for Perth, Brisbane and Melbourne, and bids are due by the end of January. Once these sales are completed, a sell-off of the smaller regional airports is likely to proceed. Proceeds from the sales are expected to top A$2bn.

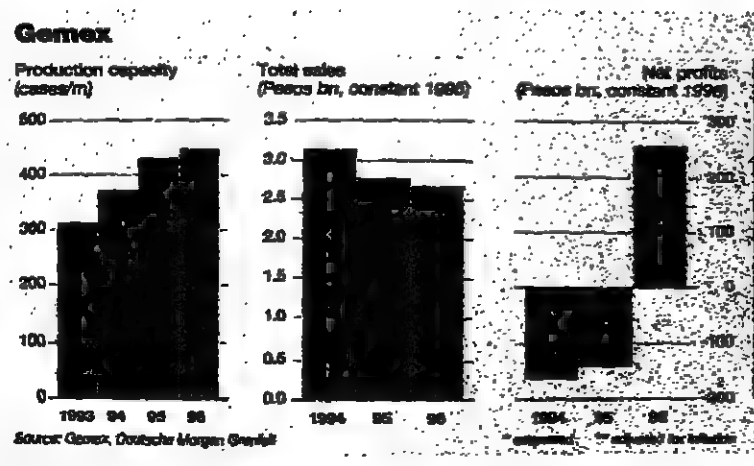
PepsiCo bottler feels the heat in Mexico

PepsiCo's main bottler in Mexico has stumbled of late. Hot weather, poor drinking water and cheap prices have made Mexico the world's second-largest soft drinks market, with 2bn cases consumed each year.

However, the recent attempts of Grupo Embotellador de México (Gemex), the bottler responsible for a third of Pepsi's sales in the country, to command an ever greater chunk of the market do not appear to being paying off.

In a decade and a half, Gemex transformed itself from being a regional bottler in the south of the country to owning the biggest Pepsi franchise outside the US. However, its breakneck expansion has generated large dollar debts – 99 per cent of the 1.57bn peso ($196.2m) total at the end of September was foreign-denominated – which soared in peso terms after the 1994 devaluation and which still affect earnings. Moreover, Gemex's aggressive promotion of cans and non-returnable bottles has provoked rifts within the company and, analysts say, damaged sales.

Partly as a result, Pepsi's share of the Mexican cola market has fallen from 26 per cent in 1995 to 22 per cent this year, while Coca-Cola's share has climbed from 51 per cent to 61 per cent, according to Deutsche Morgan Grenfell estimates.



Enrique Molina: President

Such a reverse is especially important for PepsiCo after recent problems in Venezuela, where its only bottler defected to Coca-Cola. (A new Venezuelan bottler was signed up soon after.)

But Gemex matters for other reasons. In 1995, seeking to become more directly involved in the Mexican market, Pepsi Cola International bought 25 per cent of the company for $154m, and will take voting control in 2002. For its part, Gemex was designated an anchor bottler, with the right of first refusal for any Pepsi franchises that came up for sale in Mexico. Three Pepsi-owned franchises passed into Gemex's hands as part of the deal.

Though Pepsi had previously been denied a stake in Gemex after the collapse of the peso, Mr Enrique Molina, Gemex president and chief shareholder, acceded to the pressure from the multinational for a stake. There were too many dollar-denominated debts to do otherwise.

"The financial crisis in Mexico brought things to a head. If there was ever a time to invest and show confidence in Mexico and Gemex, it was then," said Mr Roger Enrico, PepsiCo chief executive.

Gemex has continued to expand, acquiring a further franchise in central Mexico this summer, and is now deep in negotiations for another, in Monterrey. "We are interested in franchises of all sizes across the country," said Mr Molina.

But the company is not free from problems. In particular, the switch to non-returnable drinks containers, which now account for about half of all soft drink sales, has generated so much controversy that chief financial officer Mr Sergio Robledo left the company over the issue earlier this year.

The switch to non-returnables is central to Mr Molina's plans to modernise and rationalise the company, since returnable bottles need to be transported, cleaned and stored, with attendant costs. The company already has a formidable level of vertical integration, manufacturing its own bottles and refrigerators and buying sugar from Mr Molina's privately-owned sugar mills. But most of Gemex's consumers are thought to be less inclined to buy expensive non-returnable bottles, particularly after a savage recession.

Analysts argue that the move to more non-returnable bottles has hurt the company's results. For the third quarter this year, Gemex's same-franchise soft drink sales volume was just 1.5 per cent up on the third quarter of 1995 – a weak recovery after Mexico's worst recession for 50 years.

"The company's operating figures since the devaluation have been hurt by the greater proportion of non-returnables," said Mr Scott Wilkins, an analyst at Deutsche Morgan Grenfell in Mexico City.

Investors have also been worried by Gemex's financial costs, which remain high even after Pepsi's cash injection, which allowed the company to retire about $100m of debt.

At the end of September, the company's debt-to-equity ratio stood at 43 per cent, half the previous year's 84 per cent, but still high. This year its stock has underperformed the Mexican market by more than 30 per cent.

Another concern has been administrative instability. Gemex recently lost chief operating officer Mr Steve Lawrence, who was moved to Pepsi Cola Mexico in the wake of high-level changes at PepsiCo in the US. Mr Lawrence's role in Gemex had been seen as a sign of the multinational's greater involvement. Following his departure, Mr Molina has regained a greater role in Gemex's administration, although he promises a new chief operating officer by mid-December.

In spite of its recent troubles, Gemex has hopes of an 8 per cent increase in sales next year, fuelled by the expansion of its new franchises and growth in other products such as Electropura, the top selling bottled water in the country. Sales may increase even more if Mexico's domestic economy stages a strong recovery.

"You cannot assume that they are going to get market share back. But you can assume that if the economy grows 4 per cent next year, volumes could grow by 10 per cent and operating profits by 20 per cent," said Mr Tim Baker, an analyst at SBC Warburg.

But Gemex has suffered unduly from the Mexican recession and Pepsi has suffered with it. And while Mr Molina's drive and aggression served both companies well as he built up his bottler, the past two years have shown that there are pitfalls to such ambition as well.

Daniel Dombey

INTERNATIONAL NEWS DIGEST

Deere posts record fourth-term profit

John Deere, the agricultural and heavy equipment maker, reported record earnings for the fourth quarter, and said improving worldwide dietary trends and rapid income growth in most of Asia and Latin America would continue to strengthen demand for agricultural products, including the company's farm machines.

Fourth-quarter income rose 15 per cent, to $173.9m, or 68 cents a share, from $150.6m, or 57 cents, a year ago. Sales rose 7 per cent to $2.9bn. For the full year, Deere reported net income up from $706.1m, or $2.71 a share, to $817.3m, or $3.14 a share. Sales for the full year were $11.2bn, up from $10.3bn a year ago. Export sales from the US rose 26 per cent this year, to top $2.5bn.

"Worldwide demand for John Deere agricultural equipment remains very strong," said Mr Hans Becherer, chairman. "Favourable weather conditions in the major producing areas in North America, combined with removal of all annual acreage reduction programmes in the US, resulted in significant increases in production of wheat, corn, and soybeans in 1996. However, despite recent price declines, grain prices remain at reasonably good overall levels." *Laurie Morse, Chicago*

NWI gains control of ATL

New World Infrastructure (NWI), the infrastructure arm spun off from New World Development last year, has taken control of Asia Terminals (ATL), which operates the third container terminal in Hong Kong's Kwai Chung port, in a deal worth HK$1.59bn (US$205.9m).

NWI's controlling stake in ATL is the result of the infrastructure company lifting its interest in Sealand Orient Terminals, which owns 50 per cent of ATL. After the deal, NWI's holding in ATL will rise from 39 per cent to 54.17 per cent. NWI is to fund the acquisition through a mix of 42.8m new shares and a cash payment of HK$795.1m. The price of the new shares, at HK$18.57 each, represents a 5 per cent discount to the closing price of HK$19.55 on November 8, when the deal was being put together. Yesterday, the company's shares closed up HK$0.15 at HK$22.35. *Louise Lucas, Hong Kong*

Sun Alliance Life expands

Sun Alliance Life Assurance, the Australian life and pensions subsidiary of the UK's Royal & Sun Alliance, has agreed to buy 60 per cent of Connelly Temple, a specialist superannuation business based in New South Wales. The sale, which is subject to approvals, is expected to be completed in December. No financial terms were disclosed. Connelly Temple has A$700m (US$558m) under administration on behalf of more than 40,000 individuals. *AFX News, London*

KPN extends TNT offer

The recommended A$2bn (US$1.63bn) offer by the Dutch-based KPN group for Australia's TNT has been extended to December 12. The bidder said it was now entitled to about 32.5 per cent of its target's equity. *Nikki Tait, Sydney*

James Hardie in Philippines

James Hardie, the Australian building products company, is moving its fibre cement business into Asian markets for the first time, forming a joint venture with Jardine Davies in the Philippines. The joint venture will start building a A$50m fibre cement plant south of Manila next year, and is aimed at supplying Manila's active housing construction market. *Nikki Tait*

Stora looks to Asia

Stora, the Swedish paper and packaging group, is seeking a larger presence in Asia by establishing production plants in the region, newspaper Finans Tidningen reported. "We want a larger presence in this important growth market," the group is reported as saying. "We don't want to comment on how long we have left from thought to action, or if we are already having talks with some party," he said. Stora said the production areas in question were for mechanical printing paper and cardboard. *AFX News, Stockholm*

Gas Natural sees 13% growth

Gas Natural, Spain's dominant gas distributor, which is partly owned by the government, has forecast annual sales growth of 13 per cent until 2000, the financial daily Expansión reported. Mr Andres Arregui, Gas Natural director, said the company was also interested in investing in the telecommunications sector. He said it planned to participate in next year's privatisation of Spain's second basic telecoms operator, Retevision. *AFX News, Madrid*

Funds return to Shanghai

A three-year freeze on new listings of mutual funds on the Shanghai Stock Exchange will end this week, in a signal that China is moving ahead with plans to stabilise its securities markets by bringing in more institutional investors. Three funds will be listed on the exchange on Friday.

Chinese authorities clamped down on the mutual fund industry in 1993, on fears of irregularities as the number of funds ballooned to more than 70. At the time, the authorities said a lack of adequate regulations for funds could lead to chaos in China's markets.

China's markets remain heavily influenced by individual investors taking speculative, short-term positions, which has contributed to market volatility. Authorities have also indicated that foreign fund managers will in future be allowed to form joint venture funds. If this proceeds, it would enable foreign securities companies to gain exposure to the domestic reserved A-share market for the first time. *Sophie Roell, Beijing*

Banespa shares suspended

Shares in Banespa, the bank controlled by the Brazilian state of São Paulo, were suspended yesterday following press reports that it made profits of R$786.3m (US$762.9m) in the first nine months of the year. Banespa, which is one of the largest retail banks in Brazil, has not reported its results since 1994, when it was put under Central Bank administration after it was in danger of collapsing because of $18bn of doubtful loans to the state government. The figures were contained in a leaked report from Banespa to the São Paulo state ministry of finance. Both refused to comment yesterday on the report.

The federal government is expected to announce an agreement on the refinancing of São Paulo's debts later this week. Expectations about the deal, which is thought to include a transfer of the controlling stake in Banespa to the federal government, have led to a sharp rise in Banespa's shares in the last week. *Geoff Dyer, São Paulo*

Go-ahead on Alzheimer's drug

Eisai America, the alliance between the US pharmaceuticals group Pfizer and the Japanese company Eisai, has received marketing clearance from the US Food and Drug Administration for ARICEPT, a new drug for the symptomatic treatment of mild to moderate Alzheimer's disease.

Controlled clinical trials in more than 900 patients demonstrated that more than 80 per cent of patients taking ARICEPT either improved or exhibited no further deterioration in tests of cognition over the course of the studies, the companies said. *AFX News, New York*

Broker, banks agree merger in Malaysia

By James Kynge in Kuala Lumpur

Two Malaysian banks and the nation's leading stockbroking firm, Rashid Hussain, are to form a new financial services powerhouse which plans to expand throughout Asia.

The merger, the biggest in the history of Malaysia's banking industry, represents a breakthrough for a government campaign to seek consolidation among 37 banks serving a population of 20m.

The government has been concerned that even Malaysia's bigger banks could be hard pressed to compete with Asia's large institutions when liberalisation takes hold in the region after 2000.

The new company, to be formed through a series of deals over the next six months, will offer a full range of financial services, including retail and merchant banking, insurance, stockbroking, leasing and unit trust management. The holding company of the new group will be Rashid Hussain, which will hold a 54.17 per cent stake in DCB Holdings, one of the banks involved in the tie-up.

The first step in the merger, which was signed yesterday, is the purchase for M$2.16bn (US$855.7m), or M$8.80 a share, of the 75 per cent of Kwong Yik Bank now owned by Malaysia's biggest bank, Maybank. The purchase will be funded by Rashid Hussain's internal resources, loans and some M$800m from the issue of bonds.

Later, Kwong Yik will merge with DCB Holdings, which will also take on Rashid Hussain's stockbroking business, asset management and property assets. DCB will continue to run its insurance, leasing and retail banking operations. The new bank, which is to have total assets of M$32bn, will be the second-biggest in Malaysia by profits and the third-biggest by assets, after Maybank and the state-run Bank Bumiputra.

Mr Rashid Hussain, founder and controlling shareholder in the stockbroking firm which bears his name, will also be the prime mover in the new entity. He and his family will control a stake of about 30 per cent in the Rashid Hussain holding company.

"At one stroke he becomes probably the most influential man in Malaysia's financial private sector," said one analyst.

The son-in-law of Malaysian-born tycoon Mr Robert Kuok, who has interests throughout Asia, Mr Rashid has built up a reputation for innovation and professionalism in stockbroking. Analysts say the trading actions and recommendations of his brokerage already influence portfolio investors.

The new merger will give him for the first time a say over a merchant bank and a commercial bank. The merchant bank is likely to benefit from Rashid Hussain's large stockbroking clientele and contacts, and the merged commercial bank will expand its branch network from 70 to 135. Analysts say there are clear synergies.

Mr Rashid said one of the main ambitions of the new company would be to expand banking and stockbroking throughout Asia. The company's stockbroking business is already in several south-east Asian countries, and there are plans to gain banking licences where they are available and where business is deemed profitable, he said.

The Malaysian government, which had a guiding influence in the merger, will retain a significant say in the new entity's business decisions through a stake in Rashid Hussain taken by Malaysian Resources Corporation, a publishing and property group with strong links to the dominant political party, the United Malays National Organisation.

UBS moves European operations to London

By William Hall in Zurich

Union Bank of Switzerland has underlined the growing importance of London by becoming the first Swiss bank to switch the management of all its European operations – apart from Switzerland – to the City of London.

Mr David Robins, 47, who is chief executive of UBS UK, will take over from Mr Felix Zumbach as head of Region Europe. Mr Zumbach, who is based in Zurich, takes over as head of UBS's new Zurich region, its biggest domestic business. He will step down from the group executive board and be replaced by Mr Robins, who will be based in London.

The decision to switch the management of UBS's non-Swiss European business to London is part of the break-up of UBS's large headquarters in Zurich. By separating the Zurich business from the headquarters, UBS hopes to be able to increase cost-efficiency and also to measure performance.

Mr Mathis Cabiallavetta, UBS chief executive, said yesterday that the Zurich head office formed an "enormous cost block in which there is little transparency".

UBS's decision also reflects the growing financial power of the City of London. Mr Cabiallavetta said yesterday he had always felt it was important that Zurich was able to counter London's attractions, but he had now changed his mind.

"Anyone who thinks you can counter the market is wrong," said Mr Cabiallavetta, who described London's attractions as the size of its markets, the time-zone, language and telecommunications.

He said there was no other financial centre in Europe to rival London. UBS employs 3,000 people in there, and before UBS's decision it had already emerged as the centre for European corporate finance, global fixed income and derivatives and European equities.

Mr Werner Bonadurer, who has taken over Mr Cabiallavetta's responsibilities for trading and is based in Zurich, said yesterday that the move towards a single currency in Europe would strengthen London's position.

He could not see why the arrival of the euro should damage London's position, he said. He expected it rather to hit those centres whose foreign exchange markets concentrated on trading European currency cross rates, such as Paris and Frankfurt, and to benefit London.

He said the integration of the European money markets would reinforce the advantage of a market such as London, which had the greatest liquidity. He pointed out that UBS's foreign exchange trading operation in London was between three and four times bigger than its Zurich operation.

Membership of the AAA club put on the line

Investors and rating agencies are divided on the bank's restructuring

Union Bank of Switzerland's restructuring and SFr3bn ($2.3bn) special provision for loan risks has raised the prospect that the already tiny club of AAA-rated banks might lose another member.

Standard and Poor's, one of the two big US credit rating agencies, said it had placed UBS on its watch list for possible downgrading. IBCA, the European rating agency, kept the bank's long-term credit rating at AAA, but lowered its assessment of its internal strength.

Equity investors, on the other hand, took a much more positive view of UBS's moves. Some fund managers go so far as to argue that a AAA rating is incompatible with producing a good return for shareholders, because it requires an excessively strong capital base.

UBS's Tier 1 capital amounts to 9.7 per cent of its risk-weighted assets on the Basle capital adequacy formula. This compares with 8.6 per cent for its two Swiss rivals, Swiss Bank Corporation and CS Holding, and a European average of 7.7 per cent.

By contrast, its return on equity amounted to just 9.5 per cent after tax in the first half, compared with a European average of 13.8 per cent.

Mr Samuel Theodore of Moody's, the other main US-based agency, acknowledges that the higher the capital base, the harder it becomes to make a high return on capital.

But he says that debt rating agencies, though less focused on profitability than their equity counterparts, do not base their ratings solely on capital. And he quarrels with the suggestion that excess capital is at the root of the Swiss banks' low returns.

"It is not so much to do with the ratings agencies as with the fact that margins in the Swiss banking market have been among the lowest in Europe – even lower than in Germany," he says.

In addition, the Swiss banking commission applied until last year rather higher capital adequacy standards than the Basle norms.

AAA ratings have now become a rarity. All the big UK and US banks moved out of the top rating category in the 1989-93 period.

Today, besides banks which enjoy some form of state guarantee, such as the German Landesbanks, UBS is one of only three banks rated AAA by S&P, Moody's and IBCA.

Deutsche Bank is already under review for possible downgrade by at least one agency. That leaves Rabobank, the Dutch agricultural co-operative bank, with its loyal domestic customer base and very low default rates on its lending.

UBS chief executive Mathis Cabiallavetta: restructuring moves well received by investors Reuters

But even credit agencies admit that any advantages attached to an AAA rating are slight.

In theory, a top credit rating should enable a bank to borrow in the money markets at a somewhat lower rate than its weaker counterparts. In practice, the difference between AAA and AA+, the next notch down, is tiny –, although some investment banks have set up AAA special purpose subsidiaries with very strong capital bases to serve as their vehicle for derivative deals.

The big increase in funding costs does not come until a bank slips further from AA to A, since some institutions lay down a rule that they will only deal with banks rated AA or higher. Another big cut-off comes between A and BBB.

That leaves cachet as the main reason for wanting to maintain a AAA rating. From the equity investor's point of view, however, that is little reward for a low return on investment.

George Graham

Sidor sale draws global interest

By Leslie Crawford in Mexico City and Raymond Colitt in Caracas

The privatisation of Venezuela's Siderúrgica del Orinoco (Sidor), the last Latin American steel complex to remain in state hands, is attracting keen interest among Mexico's top steel companies, as well as groups in Japan and South Korea.

Grupo Acerero del Norte, a private company which controls Altos Hornos de México (Ahmsa), the country's largest but also most-indebted steel producer, will be sending a team of 60 specialists in early December to conduct due diligence at Sidor.

Hylsamex, the steel-making subsidiary of Grupo Alfa, the Mexican industrial conglomerate, has also sent a team to Venezuela. "We are analysing different ways in which we might be able to take part in the privatisation of Sidor," Mr Enrique Flores, a spokesman for Grupo Alfa, said.

The third contender is Ispat Mexicana, a privatised steel mill bought by Ispat of India in 1991. The Venezuelan privatisation has also attracted inquiries from Kobe Steel of Japan and Dong Kul Steel Mill of South Korea.

Mr Antonio Azpúrua of Fondo de Inversiones de Venezuela, the state privatisation agency, said the sale of Sidor, which produces 3m tonnes of steel a year, was still subject to congressional approval. Nevertheless, he said interested buyers would be invited to present bids in March.

The Venezuelan government has declined to put a price on Sidor, although opposition parties claim the company is worth $5bn.

In Mexico, Mr Alonso Ancira and Mr Xavier Autrey, founders of Grupo Acerero del Norte, said they were looking for a Venezuelan partner to take part in the privatisation.

"The growth of the Mexican steel industry is constrained by its limited iron ore reserves," Mr Ancira said. "It makes sense for us to expand in a country like Venezuela, which has abundant reserves of iron ore."

Mr Ancira and Mr Autrey stressed the acquisition would not burden Ahmsa, their publicly-traded steel company, with more debt – a concern which has depressed Ahmsa's stock in recent weeks.

"Any liabilities incurred in a leveraged acquisition will be taken on by Grupo Acerero del Norte, the holding company," Mr Autrey said. Ahmsa, he added, would issue new equity or equity-related instruments in 1997 to retire part of its $1.8bn debt – most of which has been used to finance the modernisation of the 50-year-old steel complex since its privatisation in 1991.

Buffett criticises KKR over fees

By Tracy Corrigan in New York

Mr Warren Buffett, America's most famous long-term investor, has criticised Kohlberg Kravis Roberts, one of the country's most aggressive buy-out firms.

Mr Buffett, a director of Gillette, expressed his opposition to the high level of fees charged by KKR for advising Duracell International on its sale to Gillette, by refusing to vote with the Gillette board to approve the merger unless the fees to be paid by Duracell were reduced to $18m.

According to a filing with the Securities and Exchange Commission, Mr Buffett advised the Gillette board that his abstention did not relate to the merger itself, which he favoured, but that he "objected, as a matter of principle, to the size of the investment banking and advisory fees payable by Duracell, which he believed to be excessive".

The meeting described in this week's filing was held on September 12.

According to documents, KKR, which has a 34 per cent stake in Duracell and four seats on the company's board, is due to collect a $20m fee for advising Duracell on the sale, and Morgan Stanley will pick up $10m for providing a fairness opinion. This is substantially more than the $16m Gillette's advisers, J.P. Morgan and Merrill Lynch, stand to earn on the deal.

KKR's position as both leading shareholder and adviser of the company is unusual, and has in the past attracted criticism.

As a buy-out fund manager, KKR has also been attacked recently by large state pension funds such as California's Calpers for the high level of fees charged for managing these funds – which include investments such as Duracell.

As well as being a director, Mr Buffett is also a substantial shareholder in Gillette through his holding company, Berkshire Hathaway, with a stake of just under 11 per cent.

According to the filing, Mr Buffett pointed out that 80 per cent of the Duracell fees would in effect be paid by pre-merger Gillette shareholders. However, the filings stated that he advised the board he intends to vote his shares in favour of the merger.

Gillette agreed in September to buy Duracell for $7.3bn in stock, its biggest acquisition ever.

HK seeks candidates for top SE position

By Louise Lucas in Hong Kong

Mr Edgar Cheng has been reappointed chairman of the Hong Kong Stock Exchange, following the annual council elections held last Friday.

However, the exchange is still seeking a replacement for Mr Paul Chow, the chief executive who submitted his resignation in July. Possible internal candidates include deputy chief executives, Mr Alec Tsui, who heads exchange operations, and Mr Herbert Hui, head of the listing division.

The exchange is also seeking outside contenders. Mr Yeung Kai-yin, an executive director with Sino Land, one of Hong Kong's biggest property developers, says he has been approached by headhunters with a view to filling the top slot.

Mr Yeung, a former treasury secretary whose role at Sino Land is due to end next month, says he has been approached by headhunters about other jobs, including chief executive of the Kowloon-Canton Railway Corporation, the Hong Kong railway operator.

Bell Atlantic to run Grupo Iusacell

Bell Atlantic, the US telecommunications company, has agreed to assume management control of Grupo Iusacell, the Mexican cellular carrier, reports AP-DJ from Philadelphia. It will also lend the group $150m in subordinated convertible debentures and take a majority of the seats on Grupo Iusacell's board.

Under the agreement with the Peralta family, which owns 48 per cent of Grupo Iusacell, Bell Atlantic will transfer certain series B and D shares in the company for [illegible] Peralta group's series A shares at a premium of $50m to the Peralta group. The transfer will not change Bell Atlantic's aggregate 42 per cent share of Grupo Iusacell.

Bell Atlantic invested $1.04bn in Grupo Iusacell in 1993, but has encountered delays securing a franchise to compete with Mexico's telecommunications monopoly. The agreement will permit Iusacell to align its business strategies more closely with Bell Atlantic's partnership position in a US national wireless alliance [illegible]

Strategy to include move into new energy markets after 1998

Severn Trent plans buy-back

By Jane Martinson

Severn Trent, which was thwarted by the government in its bid for rival utility South West Water, is to spend about £300m ($507m) buying back 10 per cent of its shares.

The shares dipped 1p to 666½p, as the group outlined a strategy which includes unregulated business expansion and a planned move into the energy markets due to be deregulated in 1998.

Mr Vic Cocker, chief executive, said the group was currently discussing the formation of a strategic alliance with an "energy provider" about using the Birmingham-based group's customer base. He expected the talks to have reached a conclusion by the middle of next year.

The group is to make a final decision on the buy-back after yesterday's Budget announcement.

A 10 per cent buy-back would push gearing to about 35 per cent and interest cover from 9 to about 6 times. The group also intends to ask for permission for further buy-backs at its next annual meeting.

The group said it was considering "small to medium-sized acquisitions", probably in non-core areas.

The group spent £4.5m on advisers for its abortive bid for South West Water, which was blocked last month. Pre-tax profits rose 4 per cent after this charge to £197m (£189m) in the six months to September 30. Underlying pre-tax profits rose almost 7 per cent to £201.5m.

Group sales rose 5 per cent to £597m (£568.6m) while operating profits rose 3 per cent to £217.6m (£211.9m) after the exceptional cost.

Sales in the core water group increased 4 per cent to £464.4m, while pre-interest profits rose 2 per cent to £210.6m. Operating costs fell an underlying 2.5 per cent after inflation, chiefly as a result of some 3,000 jobs cuts in the past two years.

Profit before interest from the group's non-regulated business rose 56 per cent before interest payments to £17m. Profits at Biffa, the waste management group, rose 13 per cent to £11.5m.

The group spent £182m on capital investment in the period – a 44 per cent rise.

Brendan Corr

Profits stream: Vic Cocker is considering small to medium-sized acquisitions, probably in non-core areas

Energis on course to break even

By Paul Taylor

Energis, National Grid's fast-growing telecommunications subsidiary, cut its loss before interest, tax and depreciation substantially during the first half, and said it was on course to break even on an Ebitda basis next year.

The company, which has invested about £376m ($635m) on building a national telecommunications network based on 4,100km of fibre optic cables, said the Ebitda loss was cut from £26.2m to £11.1m during the first half.

Operating losses fell 24 per cent to £30.3m as first-half revenues almost trebled to £43m (£15.7m) over the same period last year.

"The combination of strong revenue growth in high-margin services, tight cost control and an excellent current order book means that Energis remains firmly on course to be earnings positive before interest, tax and depreciation in 1997-98," said Mr Mike Grabiner, chief executive.

"Energis is maintaining strong growth, despite the increasingly competitive nature of the business telecommunications market."

Over the past six months it has announced a number of large new business contracts, with companies such as British Gas, ICL and Associated Newspapers.

Its network handles 3m calls a day, compared with 2m six months ago.

Energis has also continued to increase its share of the internet service provider market. It now routes more than 60 per cent of all the UK's traffic on the internet.

GKN venture makes DM135m German buy

By Nikki Tait and Tim Burt

The Cleanaway group, a joint venture between Britain's GKN and Brambles Industries, the Australian materials handling and industrial services company, is buying Mabeg, a German environmental services firm, for DM135m ($92.4m).

Brambles said the deal should be completed by the end of the year, and came as part of Cleanaway's strategy of building up its European operations.

Earlier this year, Mr John Fletcher, Brambles' chief executive, said the joint venture was "actively pursuing" opportunities to expand its presence in continental Europe.

Brambles added that Mabeg's waste collection and recycling services were similar to existing Cleanaway operations in the UK, and should be "complementary" to the recently acquired Dutch operations.

GKN, which is also Brambles' partner in the much larger Chep pallet hire business, said the acquisition would be funded equally from cash reserves at both companies.

Mabeg's annual sales are put at about DM150m, and it employs about 600 people.

GKN declined to reveal last year's profits at Mabeg, but suggested that its margins were similar to the double-digit levels which had been achieved at Cleanaway this year.

The company is being bought from two German construction companies, Heitkamp and Straberg, and is said to have a strong presence in the north and west of the country.

Restructured Readicut falls at operating level

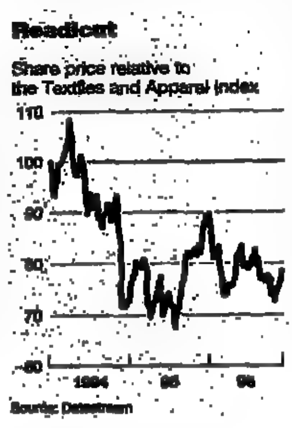
By David Blackwell

Losses at three of its businesses held back interim profits at Readicut International, the household textiles, carpeting and yarn company that has been undergoing extensive restructuring.

The bottom line shows pre-tax profits increasing from £2.77m to £3.32m ($5.61m) for the six months to September 30. But the previous year included an exceptional charge of £1.24m.

Operating profits from continuing operations – excluding an acquisition – fell from £4.83m to £3.57m. In July, the group paid £28.8m for Alan Farrow Group, a specialist supplier to the wallcoverings industry, which contributed operating profits of £1.18m.

However, the deal pushed net borrowings up to £50.9m from £22.3m at the end of March, and the goodwill write-off of £34.4m knocked shareholders' funds back to £63.2m. Interest paid rose from £820,000 to £1.43m.



Source: Datastream

The group lost £1.3m at its new Drake Extrusion facility in the US, which is taking longer than expected to reach full capacity.

Further losses of £1.3m came at Stonehouse Battye, the yarn spinner, which has had problems in moving from three sites to a single site. There was a deficit of £700,000 at the fitting business of Firth Carpets.

Mr Clive Shaw, managing director, said he expected the US facility to be approaching break-even by the year end and Stonehouse Battye to be settled down soon.

The focus would now be on maximising the returns from the heavy capital expenditure programme of the past few years.

Earnings per share were 1.12p compared with a previous 0.91p, or 1.33p excluding exceptionals. The interim dividend is maintained at 0.63p.

Forecasts for the full year have been trimmed from £14m to £13m. The prospective multiple of 10.5 is not unreasonable, but the deepening cynicism is reflected in the yield of over 9 per cent. In the unfriendly textiles sector, the shares need something more to attract investor interest.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Amberley	6 mths to Sept 30	21.6	(7.69)	2.26	(0.92)	2.41†	(1.39)	0.4	Feb 21	0.3	-	1.4
Anglo Irish Bank ‡	Yr to Sept 30	-	(-)	24.1	(19.1)	7.46	(5.7)	2.2	Jan 22	1.38	3.7	3.36
Eldridge Pope §	Yr to Sept 30	81.4	(55.1)	4.35♥	(3.54)	16.6	(13.8)	3.45	Feb 8	2.95	5.3	4.8
Hewetson	6 mths to Sept 30	25.88	(22.42)	0.728♠	(0.472)	3.48†	(2.11)	0.85	Mar 27	0.75	-	2.5
Jarvis Hotels	28 wks to Oct 12 ※	61.8	(52.7)	13.9	(11.1)	7.9	(6.3)	1	Jan 24	-	-	-
Le Riche's Stores	28 wks to Oct 5	76.2	(71.6)	4	(2.74)	18.4	(13.8)	5	Dec 17	4.4	-	18
Mountview Estates	6 mths to Sept 30	10.5	(7.71)	4.3	(3.59)	62.9	(52.4)	12	Mar 24	12	-	27
National Grid	6 mths to Sept 30※	712.4	(719.1)	292.7	(278.9)	12.2†	(11.8)	4.45	Feb 17	4.11	-	10.27
Readicut Intl	6 mths to Sept 30	127.6	(112.7)	3.32	(2.77♠)	1.12†	(0.91)	0.63	Feb 10	0.63	-	3.44
Severn Trent	6 mths to Sept 30	597	(568.6)	197♠	(189)	46.2	(45.3)	10.5	Apr 7	9.2	-	32.37
United Auctions Φ	6 mths to July 31	-	(-)	-	(-)	-	(-)	4	Dec 31	4	-	8
United Drug ‡	Yr to Sept 30	247.6	(213.7)	6.01	(5.06)	23.21†	(19.69)	6.2	Feb 12	5.55	9	8.1

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
F&C Pep	Yr to Sept 30	141.7	(129.6)	2.52	(2.38)	4.33	(4.29)	2.5	Jan 13	2.35	4.15	3.85
Baillie Gifford Shin Nippon / Bartmore Scotland	3 mths to Oct 31	284.5	(269.3♦)	0.358	(0.345)	2.63	(2.55)	2.6	Feb 21	2.5	-	11.1
Invesco Blue Chip	6 mths to Sept 30	67.6	(66.5)	0.588	(0.571)	4.653	(4.518)	2.905	Jan 22	2.905	-	8.4
Value Realisation	5½ wks to Sept 30	83.8	(82.5§§)	0.483	(-)	0.5	(-)	-	-	-	-	-

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. †On increased capital. ‡Irish currency. ♠After exceptional charge. ♥After exceptional credit. ※Pro forma. ΦAim stock. §USM stock. ♦At July 31. §§At August 23.

NEWS DIGEST

Anglo Irish 26% ahead to I£24m

Anglo Irish Bank Corporation, the small Dublin-based bank, reported a 26 per cent increase in pre-tax profits to I£24.1m ($40.7m) for the year to September 30, with higher fee income offsetting lower margins on its loan business.

The bank, which has been the subject of bid rumours in recent months, reported some pressure on margins, but this came on bigger volumes.

The loan book benefited from Ireland's strong economic activity, and grew 36 per cent to I£1.4bn.

Deposits were up 30 per cent to I£2bn. Despite the increase in the loan book, the provision for bad and doubtful debts was slightly down from I£6.8m to I£6.6m.

The bank's Austrian subsidiary contributed I£1.1m to pre-tax profits.

Angio Irish, which concentrates on property-backed lending, has broadened its presence through the acquisition in December of a £69m loan portfolio from Allied Dunbar Assurance. It was also assisted by the buy-out of Dublin-based Ansbacher Bankers in March.

Fee income was up by I£4.4m to I£14.1m. This was the result of profits on the sale of a Dublin property acquired after the Ansbacher acquisition in mid March, gilts trading, and trade finance income from provision of guarantees for Irish meat exporters seeking to enter non-EU markets following the beef crisis in the UK.

John Murray Brown in Dublin

Expansion at Royal & Sun

Royal & Sun Alliance, the composite insurer, is expanding its Australian operations with an agreement to buy 60 per cent of Connelly Temple, a specialist pensions business. The purchase cost less than A$20m ($16.05m).

The UK group said it was a "strategic" investment which "will enable us to achieve a significant position in the major growth sector of the pensions and superannuation industry in Australia".

It is buying the stake from the owners of the business, Rahman Connelly and Bradford Temple, through its Australian life and pensions arm, Sun Alliance Life Assurance.

Connelly Temple, based in Wollongong, New South Wales, has £335m under administration on behalf of 40,000 individuals. The company's desire to lift its involvement in occupational pensions will require extra capital – which is one of the reasons that it was keen to link up with Royal & Sun.

Christopher Brown-Humes

BA in talks on disposal

British Airways is talking to several companies about the sale of its ground fleet services operation.

The sale is part of BA's plan, announced earlier this year, to achieve £1bn of efficiencies over the next three years. Mr Robert Ayling, chief executive, said the airline would consider selling activities which could be run more efficiently by specialist operators.

The ground fleet services operation maintains a fleet of 7,300 vehicles and employs 470 staff at London's Heathrow and Gatwick airports.

BA would not identify the potential buyers but said they were "world class operators". If a sale is concluded, most staff will transfer to the new company.

Eagle Eye · **Louise Kehoe**

Perseverance test

It is becoming an exercise in frustration to use the Net at a "civilised" time of day in California

I predict that the rate of growth in the number of Internet users will drop substantially next year, particularly in the US. This may run counter to most analysts' expectations, but it seems to me that it is almost inevitable.

The infrastructure of the Internet is now so grossly overloaded that it is becoming an exercise in frustration to use the Net at a "civilised" time of day here in California.

I do not subscribe to the "sky is falling" scenarios of Internet collapse, but a deterioration in service is painfully obvious. There are just too many users and not enough bandwidth to go around.

Those of us who depend on the Internet for electronic mail and information resources will hardly give it up. But I wonder how many newcomers to the Internet will persevere? And how many companies will be forced to switch to private networks to ensure reliable service?

I would like to be proved wrong. Perhaps telephone companies will accelerate their efforts to shore up overburdened networks. This seems unlikely, however, unless they can find ways to draw higher revenues from Internet users. In the US, where most phones have free local calling, the situation is particularly acute.

Internet service providers, most of which are losing money as they compete for new users, will fight attempts by the phone companies to extract higher network access charges.

But in the end, somebody has to pay for the multi-billion dollar costs of upgrading the infrastructure of the Internet. It may come down to a question of how much people are prepared to pay for a reliable Internet service. That will surely put at least a temporary damper on growth.

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Getting into the "fast lane" on the Internet is proving more difficult than I had expected. My efforts to move beyond a 28.8kbps (thousand bits per second) modem began with a call to the local telephone company. I requested installation of a digital ISDN line which, in theory, should provide access at up to 128kbps.

The response was not encouraging. The cost, although currently moderate, was likely to increase substantially, the Pacific Bell representative warned. I would need technical help to set up the computer connection, she added . . . and would probably have to wait several weeks for the line to be installed.

Undaunted, I asked a computer technician to quote me a price for setting up an ISDN connection. He offered to bring his sleeping bag, because the job could take "anything from a couple of hours to a week". I said I would call back.

In Europe, I am told, ISDN is quite straightforward to install. The difference has to do with standards and with regulators. In the UK, for example, the telephone networks use only one type of digital switching system. In contrast there are half a dozen in the US. The US user must configure an ISDN connection according to the type of switches used by various local and long distance telephone companies.

> It may come down to a question of how much people are prepared to pay for a reliable Internet service

For once, European Internet users may have the advantage. Ironically, this is in large part due to the legacy of standards created by long-time telecommunications monopolies that are now being broken down.

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I seemed to have hit a dead end with ISDN, but recent announcements of 56kbps modems by manufacturers such as US Robotics, Hayes and Rockwell raised new hopes. This would, at least, be a step in the right direction, I thought.

But my inquiries opened another can of worms. I learned that there is, as yet, no official standard for 56kbps modems and leading manufacturers have lined up in two camps with differing, incompatible technologies.

I talked to Dennis Hayes, chairman and founder of Hayes Microcomputer Products, whose name has long been synonymous with modem standards. He advised that until a standard is established, users need to check with their ISPs to find out which type, or types, of 56kbps modem they support.

I was beginning to suspect a "VHS versus Betamax" situation in which those who bet on the losing standard could be left high and dry. Hayes predicted, however, that when the official standard is resolved it will probably incorporate elements of both approaches. His company will offer users inexpensive upgrades if this happens, he said.

Wouldn't buyers be wise to wait until there is an official standard for 56kbps? That depends upon how urgently you need to increase Internet access speed, said Hayes. In the meantime, the only safe option seems to be a 33.6kbps modem. It is hardly a great leap forward.

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Why, oh why, does the computer industry hold mammoth trade shows? Comdex, in Las Vegas last week, was a disaster. The event attracted more than 210,000 people – at least 50,000 more than the city could comfortably accommodate.

According to the organisers, some 10,000 new products were introduced at Comdex. But I defy you to find any visitor who saw more than a small fraction of these products. Even finding a company's booth and navigating through the crowds was a challenge – to say nothing of the lack of transport, parking, telephones and other essential facilities.

My advice to would-be participants in next year's Comdex: stay at home. In these days of "virtual" online meeting places, there has to be a better way to showcase new products. If your real purpose is to find out what the competition is up to, this too can often be accomplished online or at smaller, more specialised events.

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Share your IT predictions for 1997 in the Eagle Eye discussion group on ft.com (www.ft.com). Will the Internet collapse? Will Netscape prevail? Will electronic commerce finally happen?

Louise Kehoe:
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Comdex Review · **Paul Taylor**

Future at your fingertips

Microsoft has launched a system for the handheld PCs market

Show-stopper: handheld portable PCs were one area of interest at this year's Comdex

Microsoft's mighty marketing machine swung into action again at last week's autumn Comdex show in Las Vegas to launch Windows CE – a new computer operating system aimed at the emerging market for handheld portable PCs.

CE – which apparently stands for "consumer electronics" rather than "customer enthusiasm" – boasts a Windows 95-style interface and cut-down versions of Microsoft's top-selling desktop applications, Word and Excel, as well as features designed to enable handheld devices to work in close conjunction with desktop machines.

Windows CE has been developed under the code name Pegasus over the past four years by a dedicated team on the Microsoft campus, and is the group's first operating system since the introduction of MS-Dos in 1980 to be slimmer than one of its existing products.

Its long-awaited and carefully choreographed eve-of-Comdex arrival was marked by the launch of a handful of new machines from Casio Computer, Hitachi and NEC of Japan, Hewlett-Packard and Compaq Computer of the US (the Compaq machine is built by Casio), LG Electronics of Korea and Philips Consumer Products, which is re-entering the PC market with a stylish handheld machine called the Velo.

While CE's debut grabbed the headlines, Microsoft also formally launched the latest version of its best-selling Office Suite. Office 97 represents a significant upgrade over its predecessor and is the first Microsoft office product to use the Web browser interface. It also includes a new application called Outlook which brings together basic personal information-management functions such as diaries, contact managers and to-do lists with centralised messaging features such as electronic mail and fax facilities.

Information Technology
● The FT's review of Information Technology appears on the first Wednesday of each month

But if Microsoft and Bill Gates, Microsoft's chairman, dominated the Comdex product announcements, it was Andy Grove, Intel's chief executive, whose address on the first morning of the show set the tone for Comdex 97. Grove took the opportunity to review the astonishing progress made over the first 25 years of the microchip and predicted that "the revolution will continue".

Intel, which will launch a new generation of multi-media-enhanced MMX Pentium processors early next year, predicts that over the next 15 years microchips will be built with 1bn transistors operating at 10GHz – four times the frequency of a microwave oven – and capable of achieving 100,000 Mips (millions of instructions per second).

"The challenges that face us in delivering on this technology are to make our microprocessors faster, smaller and cheaper," said Grove. The Intel chief also added that the PC industry faces "a battle for the eyeballs" of a new generation if it is to continue to grow at between 14 per cent and 17 per cent a year, a rate which he said was necessary if the $10bn (£6bn) it costs to build a new semiconductor fab (fabrication plant) is to be justified.

More generally Comdex confirmed that what looked like a battleground taking shape a year ago between network computers or internet appliances and personal computers seems to be resolving itself into an uneasy coexistence. "As the Internet continues to accelerate the transition to network-centric computing, the power of the desktop will increasingly come from the power of the public network – the Internet – and corporate networks – intranets – based on Internet standards," noted Softbank, the Comdex organisers.

The industry's enthusiasm for everything connected with the Internet – however flimsily – was reflected in the number of Comdex exhibitors brandishing Internet tags. One un-interruptible power supplier even described itself as "the power behind the Internet".

Overall, the number of Internet-related exhibitors at Comdex doubled from 290 in 1995 to 550 this year, hardly surprising since predictions for Internet-generated revenues and products are soaring. For example, Forrester Research recently predicted that revenues generated from the Internet will grow from $14bn this year to $200bn by 2000.

According to the Forrester report, titled "The Fourth Channel", Internet hardware, software and service will account for revenues of $29bn in 2000 compared with $4bn now, and financial services such as online securities trading and banking will generate revenues of more than $22bn compared with just $240m this year.

The biggest segment, however, is expected to be business-to-business electronic commerce which is projected to become a $66bn market by the end of the decade. However, as the Comdex organisers also noted, "last year companies were looking at ways to make money on the Internet by providing content and doing electronic commerce.

"This year companies are looking to save money by adopting Internet standards for their intranets and 'extranets' – internal and external customer-orientated computer networks".

Gilts traders unconvinced by UK Budget

GOVERNMENT BONDS

By Richard Adams and Samer Iskandar in London and Lisa Bransten in New York

UK gilt market participants were unconvinced by yesterday's Budget and projections for the UK economy. Gilt prices fell slightly, despite optimistic forecasts of declining public spending and price inflation.

"The market is sceptical that the inflation target [of 2½ per cent in 1997] will be met", said Mr Andrew Roberts, a gilt analyst at UBS in London.

In trading on Liffe, the December long gilt future settled ⅛ lower at 111⅛, in heavy trading. *The March* contract also fell by ⅛ on the day, settling at 110⅞.

Initially, gilts rose strongly on the news that the public sector borrowing requirement for 1997 was projected to fall to £19bn.

The December futures contract rose to a high of 111⅜. But it fell back, and continued to fall in after-hours trading, going below 111.

In the cash market, the benchmark 10-year gilt was down ⅛, closing at 100⅜. Its yield rose one basis point to 7.44 per cent. Yields on bonds with longer maturities also rose.

Mr Kevin Adams, gilt analyst at BZW in London, said he was unconvinced by the chancellor's explanation that the present level of inflation was temporary, or by the Treasury's forecast of 2.5 per cent retail price inflation (excluding the cost of housing) for next year.

Ms Joanne Collins, a senior economist at Nomura in London, concurred. "It [the target] seems a bit ambitious, in view of the forecast for GDP growth", she said.

"The big feature for next year", Mr Adams said, "is rising short [interest] rates before and after the election. The majority [of expected rate rises] are likely to come after the election, which will place the gilt market in a difficult position."

"The more important factor is whether the economy's strong growth means that likely policy responses will not be enough."

He also said the economy's problems were more likely to emerge in the first quarter of next year.

Mr Philip Shaw, chief economist at Union Discount in London, agreed that the chancellor had relied heavily on measures to reduce tax avoidance and boost the exchequer by £6.7bn over the next three years. "Seeing is believing," he said.

Mr Adams was also sceptical. "You've got to wonder how effective his tax loophole plans are," he said.

In the short term, however, analysts remain bullish. Gilts remain a "mild buy", said Mr Shaw, although he added that he did not see a gilt rally lasting. Mr Roberts, at UBS, agreed: "From a technical point of view, there is still scope for a rally, because a lot of cash that was being held back will ultimately find its way into the market."

Mr Shaw characterised the budget as "a medium-term fiscal tightening" but thought the inflation predictions for 1997 were optimistic. "If next month's RPI figure is strong, then they could be forced to raise rates once again," he said.

Elsewhere in Europe, German bund futures rose 0.21 to settle at 101.37 on Liffe, not far from the all-time contract high of 101.48.

Italian government bond futures followed a late fall in prices of bunds and US Treasuries, settling down 0.08 at 128.00 and falling to 127.80 in after-hours trading.

A strong dollar, and signs that consumers are not about to spark faster economic growth, sent US Treasury prices higher, pushing the yield on the benchmark *30-year Treasury down* below 6.4 per cent early yesterday.

In late morning trading in New York, the long bond was ⅜ stronger at 101⅜ to yield 6.389 per cent, while at the short end the two-year note was up ⅛ at 99⅞, yielding 5.625 per cent. The December 30-year bond future gained ⅜ to 115⅜.

Bonds started the session higher as the dollar climbed against the D-Mark and the yen in Asian and European trading, and then at midday received a boost from a relatively weak reading of consumer confidence.

Although the consumer confidence figure was in line with expectations, investors were cheered by a sharp drop in consumers' expectations about future conditions, said Mr Richard *Gilhooly, international bond* strategist at Paribas Capital Markets in New York.

CAPITAL MARKETS NEWS DIGEST

Russia, France in Tsarist bond deal

Russia yesterday signed an agreement to pay France $400m (around FFr2bn) over the *next* several years in "definitive settlement" of claims by French investors in Tsarist bonds issued before the 1917 Bolshevik revolution.

The agreement came in a memorandum of understanding signed by Mr Jean Arthuis, French finance minister, and Mr Oleg Davydov, *Russia's deputy prime minister* for external financial affairs, at a summit in Paris.

About 4m Tsarist bonds held by some 400,000 individuals with a nominal value of around *FFr15bn are* estimated still to be in circulation. Mr Alain Juppé, *French prime minister*, said he had asked Mr Jean-Claude Paye, former head of the Organisation for Economic Co-operation and Development, to recommend how the $400m should be used to compensate the Tsarist bondholders.

He recognised that the compensation "would be below the expectations" of the bondholders, but believed *this* was "the best deal" Paris could get to settle the 80-year old dispute. Mr Viktor Chernomyrdin, Russian prime minister, discounted the possibility that the deal might be opposed in the Russian parliament, stressing Russia "has *to pay its debts*". *David Buchan, Paris*

JGB futures for CBOT

The Chicago Board of Trade is close to signing an agreement with the Tokyo Stock Exchange that would allow the Chicago market to trade Japanese Government Bond futures on its trading floor during US business hours. The agreement, which has been approved by the CBOT's board of directors, would give the exchange exposure to the active Asian markets.

The CBOT is the US centre for trading listed derivatives on US Treasury instruments, and in March will open an open outcry link with the London International Financial Futures *Exchange to* offer German bund futures in the US during Chicago business hours. *Laurie Morse, Chicago*

Pearson debt under review

Standard & Poor's and Moody's, the US credit rating agencies, yesterday announced reviews, with negative implications, of the ratings on Pearson's long-term senior debt, which is rated A+ by S&P and A1 by Moody's. The reviews were prompted by Pearson's announcement that it intends to acquire, through its Penguin division, the US-based publisher Putnam Berkley, for $336m in cash. About $528m of debt is affected, Moody's said.

"The CreditWatch reflects the negative financial impact of the proposed *transaction*," S&P said. *Moody's said it* was concerned "that Pearson will continue to pursue a debt-financed expansion strategy". S&P reaffirmed Pearson's short-term rating at A1, the highest grade on its scale, saying "the proposed acquisition will enhance Pearson's already strong position in book publishing". Moody's, however, said it might downgrade its Prime-1 short-term rating. *Samer Iskandar, London*

Sainsbury targets $200m fixed-rate deal at Europe

INTERNATIONAL BONDS

By Conner Middelmann in London and Raymond Colitt in Caracas

The dollar sector of the eurobond market saw some new supply yesterday ahead of the likely lull surrounding Thursday's Thanksgiving holiday in the US.

J. Sainsbury, the UK supermarket group, issued $200m of five-year bonds, priced to yield 32 basis *points over Treasuries. The* deal was targeted largely at retail and institutional accounts in continental Europe, where it saw good demand, lead manager Deutsche Morgan Grenfell said.

"There have only been 12 western European corporate deals in the fixed-rate dollar sector this year, so this is an *extremely scarce product*," a syndicate official said. Moreover, he added, the bonds were being targeted at the reinvestment flows from the $10.4bn in fixed-rate dollar paper *set to mature* in December. Nonetheless, the spread on the bid price widened slightly to 34 basis points during the session.

Banque Nationale de Paris, meanwhile, relaunched the subordinated, structured floating-rate note issue it had pulled earlier in the month following *press reports of its possible interest* in CIC, a network of mutualist banks the French government was looking to privatise. CIC is now no longer up for sale.

According to lead manager CS First Boston, the issue, which at $200m was $50m larger than planned, saw good demand from continental *European institutions* and money market funds as well as Asian accounts.

Late in the day, the World Bank launched a $1bn offering of unlisted bonds due March 2000, targeted at Japanese retail investors. Lead manager Yamaichi International said the issue would tap into the pool of year-end bonuses paid to Japanese employees during December.

The lira sector was busy too, enlivened by the Italian government bond market's bullish reaction to the *country's re-entry on Monday* into the European exchange rate mechanism.

Deutsche Finance increased its outstanding 30-year zero-coupon bond by L1,000bn – the fourth increase of this issue, which now totals L5,000bn – and lead DMG reported strong sales to Italian retail accounts.

KfW Finance also tapped the sector with L250bn of 10-year bonds, later increased to L350bn. Argentina is thought to be planning a L500bn 10-year issue as early as next week.

Elsewhere, Telcel, the Venezuelan cellular telecommunications company, is seeking to place a $70m-$80m eurobond issue in coming weeks.

Mr Oswaldo Cisneros, Telcel president, gave no details *of the deal but said he hoped* the issue would be placed before the year-end.

● Kazakhstan is considering doubling the size of its planned eurobond to $200m, prime minister Mr Akezhan Kazhegeldin said yesterday, Reuter reports.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
[illegible]							
World Bank(f)*	1bn	5.15#	99.11	Mar 2000	0.20	-	Yamaichi Intl(Europe)
Bqe Nationale de Paris(a)‡	200	(a1)	99.59R	undated	0.625R	-	CS First Boston
J Sainsbury(s)	200	6.25	99.688R	Mar 2002	0.30R	+32(5¾%Nov01)	Deutsche Morgan Grenfell
Inter-American Dev Bank*	180	5.50#	100.00	Dec 2000	1.10	-	IBJ Intl/New Japan Secs
Banco Bansud	100	9.25#	99.641R	Dec 1999	0.875R	+365(5%-99)	ABN Amro Hoare Govett
Oleo International(b)ф	62.50	3.50	100.00	Dec 2000	[illegible]	-	Fuji Intl/Yamaichi Intl
[illegible]							
SBC, Jersey Branch	400	6.25	98.97R	Dec 2006	0.40R	+60(6%Apr06)	SBC Warburg
Oest Investitionskredit	300	5.00	102.28	Jan 2002	2.50	-	Bayerische Landesbank
[illegible]							
World Bank(c)*	10bn	6.70	100.125	Dec 1997	0.125	-	Tokyo-Mitsubishi Intl
[illegible]							
Deutsche Finance Nethe(d)	1000bn	zero	undisc	Oct 2026	undisc	-	Deutsche Morgan Grenfell
KfW International Finance(e)	350bn	7.25	101.50	Jan 2007	2.00	-	BCI/BNL
YPF	300bn	8.75	99.70R	Dec 2001	0.60R	+209(8¼%-01)	Chase Manhattan Intl
[illegible]							
GenFinance Luxembourg	3bn	(f)	102.45	Dec 2006	2.00	-	Banque Generale du Lux
[illegible]							
LB Rheinland-Pfalz(s)	400	(g)	101.65	Dec 2003	1.875	-	Kreditbank Intl Group

Final terms, non-callable unless stated. Yield spread (over govt bond) at launch supplied by lead manager. *Unlisted. фWith equity warrants. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Callable from Dec 06 at par. a1) 3-mth Libor +62½bp to Dec 06, then +212½bp. b) Denom: $10,000 +2 wrts to NOF Corp. Fixing: 4/12/96. FX: 112.00Y/$. c) Redeemed in NZ$. d) Fungible with L4,000bn. e) Includes L100bn increase at 101.55%. f) 4¼% to 30/12/99, then 6% to 30/12/02, then 8%. g) 5¼% to 29/12/00, then 8%. § Long 1st coupon. s) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.750	11/06	97.4270	−0.140	7.11	7.11	7.71
Austria		5.875	07/06	98.6700	+0.200	5.89	5.91	5.97
Belgium		7.000	05/06	107.3300	+0.240	5.97	5.98	6.12
Canada *		7.000	12/06	106.6800	+0.260	6.06	6.14	6.62
Denmark		8.000	03/06	108.5400	+0.340	6.74	6.75	6.88
France	BTAN	5.500	10/01	102.3555	+0.040	4.90	4.90	5.04
	OAT	6.500	10/06	105.2000	+0.160	5.80	5.80	6.04
Germany Bund		6.250	04/06	103.2200	+0.110	5.80	5.80	6.05
Ireland		8.000	08/06	109.4500	+0.400	6.66	6.72	6.96
Italy		9.500	02/06	113.0500	+0.310	7.52†	7.52	8.21
Japan	No 140	6.600	06/01	121.6771	+0.130	1.60	1.66	1.72
	No 182	3.000	09/05	103.1656	+0.490	2.57	2.57	2.63
Netherlands		8.500	06/06	119.4400	+0.250	5.77	5.78	5.95
Portugal		9.500	02/06	116.4200	+0.190	7.04	7.07	7.69
Spain		8.800	04/06	111.2800	+0.210	7.09	7.16	7.89
Sweden		6.000	02/05	94.2117	+0.710	6.93	7.01	7.25
UK Gilts		8.000	12/00	103-12	+1/32	7.02	7.11	6.87
		7.500	12/06	100-14	−2/32	7.44	7.49	7.58
		9.000	10/08	111-13	−3/32	7.53	7.59	7.67
US Treasury *		6.500	10/06	102-31	+7/32	6.10	6.17	6.59
		6.500	11/26	101-11	+8/32	6.40	6.43	6.86
ECU (French Govt)		7.000	04/06	105.7000	+0.250	6.17	6.19	6.37

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	5.64
Prime rate	8¼	Two month	-	Three year	5.75
Broker loan rate	7	Three month	5.17	Five year	5.88
Fed.funds	5¼	Six month	5.27	10-year	6.09
Fed.funds at intervention	-	One year	5.39	30-year	6.39

BOND FUTURES AND OPTIONS

France: NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000; LONG TERM FRENCH BOND OPTIONS (MATIF) — [illegible]

Germany: NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100% — [illegible]

BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100% — [illegible]

Italy: NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%; ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) — [illegible]

Spain: NOTIONAL SPANISH BOND FUTURES (MEFF) — [illegible]

UK: NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%; LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100% — [illegible]

Ecu: ECU BOND FUTURES (MATIF) ECU100,000 — [illegible]

US: US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100% — [illegible]

Japan: NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100% — [illegible]

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

FTSE Actuaries Govt. Securities — UK Indices

Price Indices UK Gilts	Tue Nov 26	Day's change %	Mon Nov 25	Accrued interest	xd adj. ytd		Low coupon yield Nov 26	Nov 25	Yr. ago	Medium coupon yield Nov 26	Nov 25	Yr. ago	High coupon yield Nov 26	Nov 25	Yr. ago
1 Up to 5 years (21)	121.23	0.04	121.17	2.32	8.90	5 yrs	7.10	7.11	7.10	7.16	7.17	7.10	7.21	7.22	7.18
2 5-15 years (18)	151.00	0.06	150.91	3.30	9.84	15 yrs	7.63	7.63	7.76	7.60	7.60	7.61	7.58	7.57	7.86
3 Over 15 years (8)	171.54	0.01	171.52	4.72	9.55	20 yrs	7.70	7.71	7.82	7.64	7.54	7.65	7.61	7.59	7.89
4 Irredeemables (6)	193.93	0.08	193.88	1.07	13.47	Irred.†	7.76	7.76	7.89						
5 All stocks (53)	145.30	0.04	145.24	2.18	9.84										

Index-linked	Tue Nov 26	Day's change %	Mon Nov 25	Accrued interest	xd adj. ytd		Inflation 5% Nov 26	Nov 25	Yr. ago	Inflation 10% Nov 26	Nov 25	Yr. ago
6 Up to 5 years (2)	203.17	0.07	203.03	0.91	5.26	Up to 5 yrs	3.13	3.14	2.79	2.45	2.45	1.62
7 Over 5 years (10)	196.51	0.17	196.16	1.29	4.71	Over 5 yrs	3.48	3.49	3.53	3.27	3.28	3.33
8 All stocks (12)	196.15	0.16	195.84	1.24	4.69							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Nov 26	Nov 25	Nov 22	Nov 21	Nov 20	Yr ago	High*	Low*
Govt. Secs. (UK)	94.83	94.74	94.79	94.59	94.26	95.09	96.34	91.59
Fixed Interest	116.83	116.54	116.65	116.76	116.41	113.82	116.83	110.74

Gilt Edged Activity Indices

	Nov 25	Nov 22	Nov 21	Nov 20	Nov 19
Gilt Edged bargains	109.5	92.8	99.0	117.6	116.8
5-day average	107.3	109.4	116.8	119	114.5

 * for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

UK GILTS PRICES

[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for March 1996: 151.5 and for October 1996: 153.8.

Other Fixed Interest

[illegible]

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real index-linked redemption yields are calculated by HSBC Greenwell from Bank of England closing prices.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on November 26

	Issued	Bid	Offer	Chg	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	101¼	101½	+⅛	6.25
ABN Amro Bank 7¼ 05	1000	103¾	104	+⅛	6.78
Alcan Dev Bk 7⅛ 23	500	103¼	103¾	+⅛	7.09
Alberta Province 7⅜ 98	1000	103⅛	103⅜		3.87
[illegible]					

	Issued	Bid	Offer	Chg	Yield
Spain 7¼ 03	4000	109	109¼		5.51
Volkswagen Intl Fin 7 03	1000	105½	105¾	−⅛	5.76
World Bank 5⅞ 03	3000	102¾	102⅞	+⅛	5.39
World Bank 6⅜ 02	3000	104⅝	104¾		5.18
World Bank 7⅛ 05	3000	109⅛	109⅜	+⅛	5.86
[illegible]					

	Issued	Bid	Offer	Chg	Yield
Abbey Natl Treasury 8 03 £	1000	101⅛	101⅞	+⅛	7.63
British Land 8⅞ 23 £	150	96¾	97¼	−⅛	9.40
Denmark 6⅛ 98 £	800	99⅝	99¾		6.66
Depfa Finance 7⅞ 03 £	500	97¼	97½	+⅛	7.65
EIB 8 03 £	1000	102⅞	103⅛		7.42
[illegible]					

OTHER STRAIGHTS; DEUTSCHE MARK STRAIGHTS; SWISS FRANC STRAIGHTS; YEN STRAIGHTS; FLOATING RATE NOTES; CONVERTIBLE BONDS — [illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

CURRENCIES AND MONEY

UK Budget gives mild boost to sterling

MARKETS REPORT

By Simon Kuper

The UK Budget speech had a mixed impact on sterling yesterday. The pound gained sharply against the D-Mark, but closed unchanged against the dollar.

Sterling touched new 33-month peaks against the D-Mark early in the speech, as Mr Kenneth Clarke, the chancellor, cut spending and revised public sector borrowing forecasts downwards. But the pound fell when he said fiscal policy was tight in order "to reduce the risk of higher rates". Sterling has soared since August largely on market expectations of interest rate rises.

The pound closed in London 1.5 pfennigs stronger against the D-Mark at DM2.557, and at $1.673 against the dollar.

The dollar gained on most fronts in thin trading, as other currencies were hit by domestic factors. The D-Mark and French franc suffered from statements by Mr Paul Marchelli, member of the Bank of France's monetary policy council, who seemed to back politicians calling for a French franc devaluation.

Mr Marchelli was quoted as saying that the franc's link with the D-Mark was "sterile", that French interest rates should fall, and that a future single European currency should not be too strong against the dollar.

The franc, also hurt by the French truckers' blockade, fell from FFr3.384 to FFr3.392 against the D-Mark.

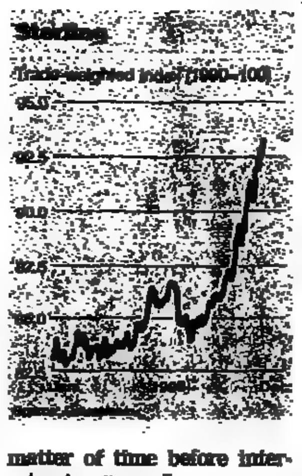
The Swiss franc touched a 21-month low against the dollar on worries over the Swiss banking sector, as Union Bank of Switzerland announced heavy costs for a restructuring. The Swiss currency closed in London at SFr1.295 to the dollar and SFr0.847 to the D-Mark.

The dollar closed Y0.3 higher against the yen at Y112.8, as traders awaited today's Japanese tankan survey of business confidence. The yen slipped on market worries over bad debts in Japan's financial system.

The lira softened slightly on its second day back in the European exchange rate mechanism, closing L2.4 lower against the D-Mark at L992.2. It rejoined the ERM at a central parity rate of L990 on Sunday.

■ Pound in New York

Nov 26	—Latest—	— Prev. close —
£ spot	1.6740	1.6885
1 mth	1.6730	1.6876
3 mth	1.6662	1.6850
1 yr	1.6558	[illegible]



■ Mr Clarke's speech hardly surprised currency analysts. He offset tax cuts with spending cuts, and reaffirmed confidence in the UK economy.

Mr Jeremy Hawkins, chief economist at the Bank of America in London, said: "The Budget was financially sound. But it won't prevent speculation that it's just a matter of time before interest rates go up."

However, the Chancellor appeared to have a message for the market in short sterling futures contracts. These are pricing in a base rate hike of at least 25 basis points next month.

But Mr Clarke suggested he was keen not to raise rates. Mr Hawkins said: "His comments may intimate that he'll do his best to keep rates on hold at the December 11 monetary meeting." Yet sterling futures responded only mildly, and still price in a December hike.

■ Mr Marchelli briefly shook the French franc yesterday. After all, he is the first member of the Bank of France's monetary policy council to attack the bank's policies in public. And Mr Valery Giscard d'Estaing, the former French president, again called for a franc depreciation, this time against the dollar.

But neither traders nor currency strategists believe the *franc fort* policy will change. The debate of recent days has barely shifted the franc against the D-Mark.

The market has lost lots of money trying to dislodge those currencies from their extremely narrow range. In most banks, heads of foreign exchange are appalled at the low profitability of their D-Mark/French franc trading operations.

Little will change, currency strategists say. Goldman Sachs believes the franc's equilibrium rate against the D-Mark is only a touch below its current market rate, at FFr3.43.

Mr Steven Englander, international economist at Smith Barney in Paris, said: "In purchasing power parity terms, the franc has stayed with the D-Mark for ten years."

The politicians calling for a devaluation were unlikely to enter government, he said. "The best bet is that this debate is going to pass."

■ OTHER CURRENCIES

[illegible]

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POUND SPOT FORWARD AGAINST THE POUND

Nov 26		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.9818	+0.0871	703 - 929	18.0113	17.8864	17.9881	2.9	17.8818	2.2	-	-	104.5
Belgium	(BFr)	52.6315	+0.2592	074 - 556	52.7720	52.2780	52.5065	2.9	52.2415	3.0	51.0465	3.0	105.5
Denmark	(DKr)	9.8112	+0.0577	066 - 158	9.8254	9.7503	9.7912	2.4	9.7507	2.5	9.5717	2.4	108.8
Finland	(FM)	7.6919	+0.0412	854 - 984	7.7040	7.6496	-	-	-	-	-	-	84.1
France	(FFr)	8.6693	+0.0479	658 - 727	8.6940	8.5988	8.6486	2.9	8.6089	2.9	8.4021	3.1	107.7
Germany	(DM)	2.5531	+0.0139	536 - 566	2.5603	2.5307	2.5486	3.1	2.5363	3.1	2.4705	3.3	107.4
Greece	(Dr)	401.799	+2.074	579 - 020	402.488	399.825	-	-	-	-	-	-	67.3
Ireland	(I£)	0.9995	-	986 - 004	1.0005	0.9981	0.9992	0.4	0.9982	0.5	0.9917	0.8	[illegible]
Italy	(L)	2535.00	+18.6	327 - 674	2539.20	2520.10	2538.8	-1.8	2548.3	-1.8	2550.8	-0.6	77.8
Luxembourg	(LFr)	52.6315	+0.2592	074 - 556	52.7720	52.2780	52.5065	2.9	52.2415	3.0	51.0465	3.0	105.5
Netherlands	(Fl)	2.8676	+0.0161	652 - 699	2.8734	2.8500	2.8598	3.3	2.8448	3.3	2.7708	3.4	105.5
Norway	(NKr)	10.7707	+0.0626	655 - 758	10.7940	10.7030	10.7582	1.4	10.7382	1.2	10.6332	1.3	98.9
Portugal	(Es)	257.999	+1.856	837 - 141	258.302	256.479	258.184	-0.9	258.554	-0.9	-	-	96.5
Spain	(Pta)	215.101	+1.372	995 - 207	215.405	213.750	214.266	-0.9	215.496	-0.7	215.498	-0.2	79.7
Sweden	(SKr)	11.1754	+0.0654	654 - 855	11.1934	11.1007	11.1742	0.1	11.1715	0.1	11.1592	0.1	88.0
Switzerland	(SFr)	2.1642	+0.0184	627 - 658	2.1678	2.1486	2.1582	4.5	2.141	4.3	2.0695	4.4	108.8
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	99.2
Ecu	-	1.3257	+0.0077	249 - 284	1.3277	1.3183	1.3238	1.8	1.3194	1.9	1.2970	2.1	-
SDR†	-	1.157070	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6725	-	719 - 730	1.6759	1.6663	-	-	-	-	-	-	-
Brazil	(R$)	1.7264	+0.0025	257 - 271	1.7286	1.7165	-	-	-	-	-	-	-
Canada	(C$)	2.2459	+0.0025	445 - 468	2.2500	2.2348	2.2407	2.8	2.2299	2.8	2.1709	3.3	85.8
Mexico	(New Peso)	13.1642	-0.0829	519 - 765	13.2121	13.1491	-	-	-	-	-	-	-
USA	($)	1.6727	-	722 - 732	1.6756	1.6665	1.6717	0.7	1.6699	0.6	1.6549	1.1	97.0
Pacific/Middle East/Africa													
Australia	(A$)	2.0599	-0.0015	588 - 611	2.0709	2.0598	2.0612	-0.8	2.0619	-0.4	2.0615	-0.1	96.0
Hong Kong	(HK$)	12.9338	+0.0009	291 - 384	12.9557	12.8783	12.9265	0.7	12.9126	0.7	12.8481	0.7	-
India	(Rs)	59.7981	+0.0190	100 - 079	60.0700	59.5260	-	-	-	-	-	-	-
Israel	(Shk)	5.4186	-0.0036	142 - 230	5.4240	5.3992	-	-	-	-	-	-	-
Japan	(Y)	188.555	+0.376	457 - 653	188.820	187.420	187.825	5.9	185.77	5.9	177.355	5.9	129.0
Malaysia	(M$)	4.2286	+0.0013	215 - 257	4.2309	4.2047	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3585	+0.0110	572 - 600	2.3605	2.3447	2.3655	-3.4	2.375	-2.7	2.3968	-1.8	111.3
Philippines	(Peso)	43.9352	+0.01	053 - 650	43.9653	43.6946	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.2735	-	713 - 757	6.2840	6.2465	-	-	-	-	-	-	-
Singapore	(S$)	2.3447	+0.0008	431 - 462	2.3469	2.3342	-	-	-	-	-	-	-
South Africa	(R)	7.6696	-0.0388	620 - 750	7.7050	7.6469	-	-	-	-	-	-	-
South Korea	(Won)	1387.00	+0.67	609 - 742	1389.41	1385.18	-	-	-	-	-	-	-
Taiwan	(T$)	45.9793	-	521 - 465	46.0572	45.8346	-	-	-	-	-	-	-
Thailand	(Bt)	42.6079	+0.0377	909 - 248	42.7900	42.4100	-	-	-	-	-	-	-

† Rates for Nov 25. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

[illegible]

WORLD INTEREST RATES

■ MONEY RATES

[illegible]

■ EURO CURRENCY INTEREST RATES

[illegible]

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

[illegible]

■ THREE MONTH EUROMARK FUTURES (LIFFE) DM1m points of 100%

[illegible]

■ THREE MONTH EUROLIRA FUTURES (LIFFE) L1000m points of 100%

[illegible]

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

[illegible]

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

[illegible]

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

[illegible]

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

[illegible]

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Nov 26		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£
Belgium	(BFr)	100	18.65	16.48	4.858	1.900	4820	5.451	20.48	490.4	408.9	21.26	4.116	1.900
Denmark	(DKr)	53.62	10	8.836	2.605	1.019	[illegible]	2.923	10.98	262.9	219.2	11.40	2.207	1.019
France	(FFr)	60.68	11.32	10	2.948	1.153	2925	3.308	12.43	297.6	248.1	12.90	2.497	1.153

[illegible]

■ D-MARK FUTURES (IMM) DM 125,000 per DM

[illegible]

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

[illegible]

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

[illegible]

■ STERLING FUTURES (IMM) £62,500 per £

[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

UK INTEREST RATES

LONDON MONEY RATES

[illegible]

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

[illegible]

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9350	0.12	0.10	0.11	0.04	0.26	0.52
9375	0.01	0.03	0.05	0.18	0.44	0.71
9400	0	0.01	0.02	0.42	0.67	0.93

Est. vol. total, Calls 11567 Puts 1453. Previous day's open int., Calls 227969 Puts 165571

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

[illegible]

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

[illegible]

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

[illegible]

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

[illegible]

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

[illegible]

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

[illegible]

BASE LENDING RATES

	%		%		%
Adam & Company	6.00	Cyprus Popular Bank	6.00	NatWestminster	6.00
Allied Irish Bank (GB)	6.00	Duncan Lawrie	6.00	●Rea Brothers	6.00
Allied Trust Bank	6.00	Exeter Bank Limited	7.00	Royal Bk of Scotland	6.00
●Henry Ansbacher	6.00	Financial & Gen Bank	7.00	●Singer & Friedlander	6.00
Bank of Baroda	6.00	●Robert Fleming & Co	6.00	●Smith & Williamson Secs	6.00
Banco Bilbao Vizcaya	6.00	Girobank	5.75	Scottish Widows Bank	6.00
Bank of Cyprus	6.00	●Guinness Mahon	6.00	TSB	6.00
Bank of Ireland	6.00	Habib Bank AG Zurich	6.00	United Bank of Kuwait	6.00
Bank of India	6.00	●Hambros Bank	6.00	Unity Trust Bank Plc	6.00
Bank of Scotland	6.00	Heritable & Gen Inv Bk	6.00	Western Trust	6.00
Barclays Bank	6.00	●Hill Samuel	6.00	Whiteaway Laidlaw	6.00
Brit Bk of Mid East	6.00	C. Hoare & Co	6.00	Yorkshire Bank	6.00
●Brown Shipley & Co Ltd	6.00	Hongkong & Shanghai	6.00		
Citibank NA	6.00	Julian Hodge Bank	6.00	● Members of London Investment Banking Association	
Clydesdale Bank	6.00	●Leopold Joseph & Sons	6.00	* In administration	
The Co-operative Bank	6.00	Lloyds Bank	6.00		
Coutts & Co	6.00	Midland Bank	6.00		
Credit Lyonnais	6.00	*Mount Credit Corp	6.25		

THE ROYAL BANK OF CANADA
U.S.$350,000,000 Floating Rate Debentures due 2005
In accordance with the Terms and Conditions of the Debentures, the interest rate for the period 29th November, 1996 to 31st December, 1996 has been fixed at 5⅝% per annum. On 31st December, 1996 interest of U.S. $4.84333 per U.S. $1,000 nominal amount of the Debentures will be due for payment. The rate of interest for the period commencing 31st December, 1996 will be determined on 27th December, 1996.
Agent Bank and Principal Paying Agent
ROYAL BANK OF CANADA

COMMODITIES AND AGRICULTURE

Regulators to develop rules on large positions

By Deborah Hargreaves

Regulators from around the world have agreed to develop rules that would allow them to identify large exposures in commodity futures and over-the-counter markets.

The agreement announced after a meeting in London yesterday, comes in the wake of the Sumitomo trading scandal where Mr Yasuo Hamanaka ran up losses of $2.6bn in the copper market.

Regulators from 17 countries, including China, Korea and Malaysia, attended the meeting, organised by the UK Securities and Investments Board in conjunction with the US Commodity Futures Trading Commission and Japan's Ministry of Trade and Industry.

Ms Brooksley Born, CFTC chairperson, said the consensus reached at the meeting would "enhance worldwide regulation". Ms Born had previously warned that commodity markets were open to manipulation.

Concerns about the vulnerability of commodity futures markets to manipulation have led the regulators to agree to exchange information on large positions in the markets.

"That information may be necessary ... when strong concerns exist about potential abusive conduct; or when corrective actions or sanctions may be warranted," a communiqué said.

The SIB is currently conducting a review of the London Metal Exchange in the wake of the Sumitomo affair. Many respondents to its questionnaire about the market have called for more information to be available about traders building up large positions on the exchange and the OTC market.

Yesterday's communiqué said regulators should develop measures giving them access to information about large positions held in the cash and the OTC markets. "These measures may also involve information on deliveries," it said.

However, this could see regulators extending their jurisdiction by seeking access to information about the largely unregulated OTC market where much business is conducted.

The supervisors also agreed to step up measures for detecting and preventing abusive conduct and to clarify the types of intervention and sanctions authorised under relevant laws, rules and procedures.

Many of the participants at the meeting were representing countries that are considering setting up new commodity futures exchanges. They agreed to draft new contracts with the aim of reducing their susceptibility to market abuses.

The regulators set up two working parties to report back in the next year prior to another meeting in Japan. One will address issues arising from contract design and the second will look at market surveillance and information-sharing.

Sir Andrew Large, SIB chairman, said: "Supervisors have a responsibility to respond to the significant increases in activity in international commodity derivatives, which in turn arise from liberalisation of international trade and markets."

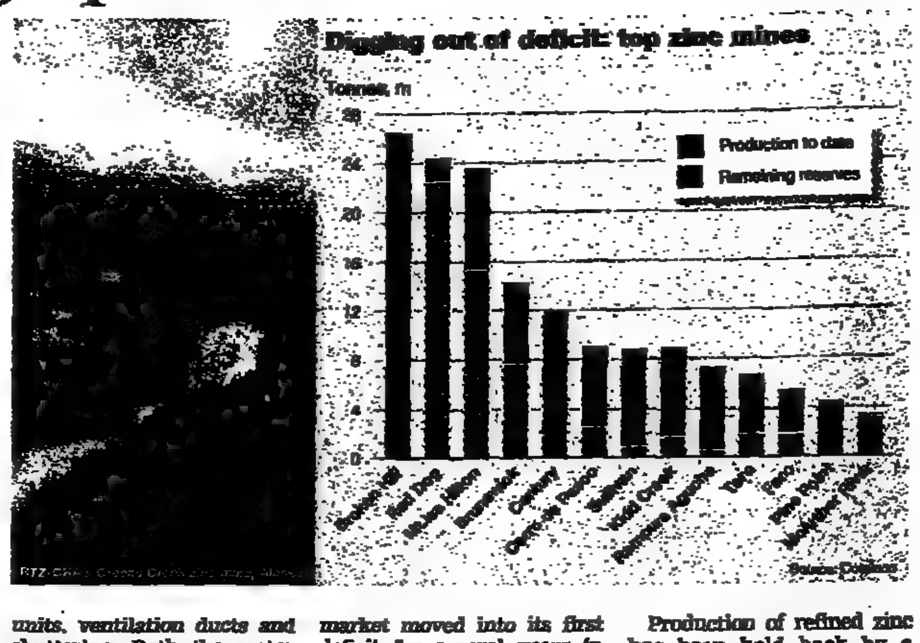
This was the first meeting of commodity regulators, although authorities in other markets have co-operated more closely. The communiqué recognised the substantial progress made by other groups in market supervision and co-operation.

Shortage promises zinc a bright future

Two zinc producers top the list of investments in Mercury Asset Management's World Mining Trust. Cominco of Canada accounts for 4.8 per cent of the funds invested and Pasminco of Australia for 4.2 per cent.

Mr Graham Birch, WMT investment manager, says the outlook for zinc is bright – and these two companies are likely to gain more than most as producers begin to reap the benefits.

He is not the only one bullish about zinc. Other analysts suggest the zinc market is likely to suffer from a growing supply deficit, and this is bound to drive up prices on the London Metal Exchange, where it is the third most heavily traded metal in tonnage terms.



Zinc's main markets are in coatings to protect iron and steel from corrosion, zinc alloys for casting, and as an element in brasses. Other markets include the use of zinc sheet for roofing and cladding buildings and the use of zinc oxide in tyres.

Galvanising now accounts for nearly half of zinc consumption, driven up by increased use of galvanised steel by the automotive industry and by the construction industry for such things as air conditioning units, ventilation ducts and shuttering. Both the motor and construction industries are cyclical and that is reflected in the zinc market.

Demand has been racing ahead in recent years. Consumption grew by 5.5 per cent in 1994 and by another 7 per cent last year. It is small wonder, then, that demand has been pausing for breath this year when the average rate of annual growth in the past 10 years was a more modest 2.8 per cent.

In spite of the jump in consumption, the western world market moved into its first deficit for several years in 1995 – by about 320,000 tonnes. For, while consumption has been buoyant, there was a 9 per cent drop in zinc mine production between 1992 and 1994 as miners reacted to low prices.

Mr Phillip Crowson, chief economist at RTZ-CRA, the Anglo-Australian group, suggests further supply deficits are probable both this year and next. "If consumption marks time this year it should rise by some 3 per cent in 1997," he says.

Production of refined zinc has been held back by a shortage of concentrate, an intermediate material, from the mines, he points out.

However, "this year's mine output will approach the 1992 peak and soar above it in 1997. The latest concern is not so much the availability of concentrates but of smelter capacity. Several smelters are, however, expanding and new projects are on the stocks," says Mr Crowson.

Looking at the short-term prospects, Mr Ted Arnold, analyst at Merrill Lynch, says there has been "a very pronounced change in zinc market sentiment" in the past month.

This is because there was a big seller in the market but the selling has dried up. Mr Arnold suggests the selling was related to the liquidation of a speculative position built up by Asturiana de Zinc of Spain in recent years. This position was handed over earlier this year to Glencore, the Switzerland-based trading group, to liquidate. Asturiana announced recently that the position had been liquidated.

Mr Arnold says the selling overshadowed steadily improving market fundamentals for zinc, "with stocks falling and concentrate supplies remaining fairly tight. Last, but not least, the market seems to be attracting a bit more commodity fund buying these days, which is helping both prices and sentiment".

Merrill is looking for zinc prices to average 51 cents a pound ($1,125 a tonne) next year. Mr Arnold says: "We don't buy the super bull argument for 60 cents a pound next year, although we could approach that sort of level in 1998."

Kenneth Gooding

China grain imports to stabilise, says OECD

By Peter Montagnon, Asia Editor

China's grain imports are likely to jump to around 40m tonnes annually by 2000 from just 3m at the start of the decade, but will stabilise at around 43m from 2010, according to research published by the Organisation for Economic Co-operation and Development.

The projections, by a team of Chinese and US economists, run counter to earlier predictions that a more affluent China would become a massive grain importer, pushing up world prices sharply.

Last year, Mr Lester Thurow of the Washington-based World-Watch group shocked grain dealers with a forecast that China would import 216m tonnes by 2030. The OECD paper says China will become a significant importer but "will not empty" world grain markets.

Higher imports will reflect rising demand for feed grain and meat, as well as a slowdown in supply due to reduced investment in agricultural research during the late 1980s. After 2000, grain imports will stabilise as increasing urbanisation reduces demand and population growth slows.

But the authors – Mr Justin Lin of the University of Beijing, Mr Huang Jikun of the Chinese Academy of Agricultural Sciences and Mr Scott Rozelle of Stanford University – note their forecast is subject to wide variations depending on population and income growth.

With high income growth total grain demand would reach 647m tonnes by 2020, compared with 594m under the baseline scenario. Equally, with high investment in research and irrigation, China could lift output to 627m tonnes, against 552m under the baseline scenario.

The research suggests that China itself might limit grain imports, especially if these began to affect world prices severely. Not only would that be an incentive to raise domestic production, but there might be foreign exchange constraints on large grain imports.

Poor port and transport infrastructure may also be an impediment to imports, while China's leaders have long been constrained by a desire for self sufficiency.

The authors warn, though, that China will need to implement investment strategies to boost production "in the near future" because of the long time lag before spending produces results.

Under the baseline scenario set out in the research, grain output is expected to reach 410m tonnes by 2000, well below Chinese official projections of 455m tonnes.

China in the 21st Century. Publications Service, OECD, 2 rue André-Pascal, 75775 Paris Cedex 16.

Price of copper continues to rise

MARKETS REPORT

By Kenneth Gooding

As the copper price on the London Metal Exchange yesterday rose to its highest level since the Sumitomo scandal erupted five months ago, speculators who had bet on a fall in the price were paying substantial premiums to roll forward their "short" positions.

The cost of rolling forward a position for one day rose to $20 a tonne. The cost for a week went to $27, while the premium for copper for immediate delivery compared with three-month metal jumped to $245 from $170 on Monday.

Traders suggested the tightness was likely to worsen, particularly on December 16 and 17 – just ahead of the third Wednesday in the month, when options activity is at a peak. Three-month copper reached $2,285 a tonne at one stage yesterday.

The London Clearing House on Monday doubled the requirement for trading the cash/three months spread margin to $3,750 a contract ($150 a tonne), a move analysts suggested was designed to head off speculative activity in December.

Gold's price at the afternoon "fix" in London fell to $373.50 a troy ounce, $1.90 down from Monday and its lowest since January 9, 1995, following substantial sales in New York on Monday as books were balanced ahead of Thanksgiving.

LME WAREHOUSE STOCKS
(As at Thursday's close)
tonnes

Aluminium	-7,475	to 962,000
Aluminium alloy	-320	to 75,260
Copper	-3,650	to 90,050
Lead	-25	to 116,375
Nickel	+330	to 45,744
Zinc	-2,100	to 530,050
Tin	+165	to 9,415

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1508-09	1533-34
Previous	1485.5-86.5	1507-08
High/low		1533/1512
AM Official	1499-500	1525.5-26
Kerb close		1534-35
Open int.	243,342	
Total daily turnover	56,673	

ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1350-60	1380-85
Previous	1325-30	1355-57
High/low		1385/1360
AM Official	1332-37	1362-63
Kerb close		1375-80
Open int.	6,212	
Total daily turnover	1,128	

LEAD ($ per tonne)

	Cash	3 mths
Close	708-9	714-5
Previous	697-98	704-05
High/low	708.5	718/709
AM Official	708.5-9	713-4
Kerb close		714-5
Open int.	39,717	
Total daily turnover	9,621	

NICKEL ($ per tonne)

	Cash	3 mths
Close	6980-90	7070-75
Previous	6845-55	6940-45
High/low	6920	7090/6970
AM Official	6925-30	7010-15
Kerb close		7050-60
Open int.	46,927	
Total daily turnover	14,140	

TIN ($ per tonne)

	Cash	3 mths
Close	6140-50	6145-50
Previous	6110-15	6115-20
High/low		6160/6120
AM Official	6140-45	6140-45
Kerb close		6160-65
Open int.	14,976	
Total daily turnover	4,900	

ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1063-64	1086-87
Previous	1057-58	1081-82
High/low		1090/1082
AM Official	1058.5-59.5	1082-82.5
Kerb close		1084-84.5
Open int.	84,505	
Total daily turnover	15,602	

COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2515-20	2271-73
Previous	2361-66	2195-96
High/low	2490/2485	2285/2220
AM Official	2485-90	2255-60
Kerb close		2258-59
Open int.	169,735	
Total daily turnover	103,624	

LME AM Official £/$ rate: 1.6670
LME Closing £/$ rate: 1.6729

Spot: 1.6734 3 mths: 1.6701 6 mths: 1.6648 9 mths: 1.6597

HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	108.20	+2.30	109.90	105.90	7,450	14,115
Jan	107.15	+2.55	108.20	106.50	183	4,189
Feb	105.60	+2.20	106.30	103.40	41	1,137
Mar	104.10	+2.15	104.90	102.00	5,662	23,659
Apr	102.10	+1.40	-	-	25	675
May	100.10	+1.30	100.60	98.50	172	3,971
Total					14,677	62,784

PRECIOUS METALS

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	373.80-374.20		
Opening	374.30-374.70		
Morning fix	374.50	223.54	482.99
Afternoon fix	373.50	223.67	483.01
Day's High	374.70-375.10		
Day's Low	373.30-373.70		
Previous close	374.80-375.20		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.68	6 months	3.09
2 months	2.66	12 months	3.30
3 months	2.65		

Silver Fix	p/troy oz.	US cts equiv.
Spot	285.55	476.10
3 months	289.65	481.90
6 months	293.85	487.65
1 year	303.05	499.70

Gold Coins	$ price	£ equiv.
Krugerrand	376-378	225-226
Maple Leaf	378.60-381.05	-
New Sovereign	88-91	53-54

Precious Metals continued

GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]						

PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]						

PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]						

SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]						

ENERGY

CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
[illegible]						

CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
[illegible]						

HEATING OIL NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Vol	Open int
[illegible]						

GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]						

NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Vol	Open int
[illegible]						

UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Vol	Open int
[illegible]						

GRAINS AND OIL SEEDS

WHEAT LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]						

WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]						

MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]						

BARLEY LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]						

SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]						

SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]						

SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]						

POTATOES LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]						

FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]						

FUTURES DATA
All futures data supplied by CMS.

SOFTS

COCOA LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]						

COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]						

COCOA (ICCO) (SDR's/tonne)

	Price	Prev. day
[illegible]		

COFFEE LIFFE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]						

COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]						

COFFEE (ICO) (US cents/pound)

	Price	Prev. day
Comp. daily	[illegible]	95.74
15 day average	[illegible]	97.62

WHITE SUGAR LIFFE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]						

SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]						

COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]						

ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]						

Tea

There was good demand this week reports the Tea Brokers association. Landed better liquoring assams sold well at last levels but plainer types were again easier. East Africans continued fully firm to dearer particularly for coloury descriptions. Offshore there was good competition at firm to often dearer rates. Quotations: Landed: Best available 137p/kg. Good: 128p/kg. Good medium: 120p/kg. Medium: 112p/kg. Low medium: 90p nom. The highest price realised this week was 137p/kg for a Sri Lanka.

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

Reuters (Base: 18/9/31 = 100)

Nov 25	Nov 22	month ago	year ago
1879.5	1883.1	1870.2	2177.9

CRB Futures (Base: 1967 = 100)

Nov 22	Nov 21	month ago	year ago
243.31	244.19		

GSCI Spot (Base: 1970 = 100)

Nov 22	Nov 21	month ago	year ago
218.26	218.52	211.18	188.70

MEAT AND LIVESTOCK

LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]						

LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]						

PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]						

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

ALUMINIUM (99.7%) LME	Jan	Apr	Jan	Apr
1500	59	99	28	50
1550	46	85	39	61
1600	25	62	65	67
COPPER (Grade A) LME	Jan	Apr	Jan	Apr
2300	106	110	87	168
2350	83	92	113	220
2400	64	77	143	253
COFFEE LIFFE	Jan	Mar	Jan	Mar
1400	41	43	35	86
1450	23	28	67	123
1500	13	18	107	163
COCOA LIFFE	Mar	May	Mar	May
900	51	69	14	16
925	36	53	28	25
950	21	40	34	37
BRENT CRUDE IPE	Jan	Feb	Jan	Feb
2200	110	-	[illegible]	-
2250	62	-	49	-
2300	46	-	-	-

LONDON SPOT MARKETS

CRUDE OIL FOB (per barrel)

		+or-
Dubai	$20.91-0.94w	+0.12
Brent Blend (dated)	$22.76-2.78	-0.11
Brent Blend (Jan)	$22.69-2.71	-0.03
W.T.I.	$23.56-3.59w	+1

OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$224-226	
Gas Oil	$218-220	-2
Heavy Fuel Oil	$119-121	+1
Naphtha	$224-226	-1
Jet fuel	$247-249	-2
Diesel	$234-246	-1

NATURAL GAS (Pence/therm)

Bacton (Dec)	20.50-1.00	-0.75

Petroleum Argus. Tel. London (0171) 359 8792

OTHER

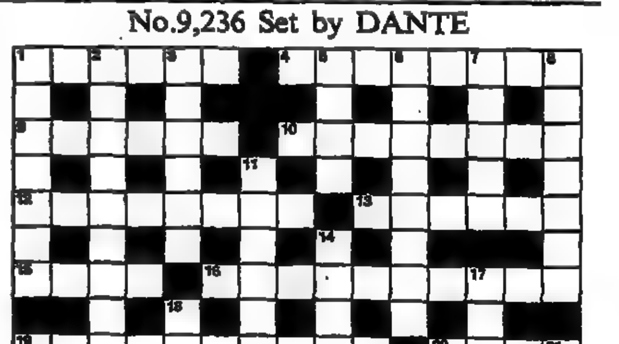
Gold (per troy oz)♣	$374.00	-1.00
Silver (per troy oz)♣	474.50c	-7.00
Platinum (per troy oz.)	$378.50	-3.25
Palladium (per troy oz.)	$115.50	-1.75
Copper	112.0c	+2.0
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	15.02r	+0.02
Tin (New York)	284.50	-2.00
Cattle (live weight)	112.12p	+2.95*
Sheep (live weight)	137.22p	+5.87*
Pigs (live weight)†	95.32p	+5.72*
Lon. day sugar (raw)	$284.70	+1.80
Lon. day sugar (wte)	$309.50	
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	127.0	
Wheat (US Dark North)	Unq	
Rubber (Jan)▼	79.75p	
Rubber (Feb)▼	79.75p	
Rubber (KL RSS No1)	321.5z	+0.5
Coconut Oil (Phil)§	$795.0y	+20.0
Palm Oil (Malay.)§	567.5x	+2.5
Copra (Phil)§	492.5	+7.5
Soyabeans (US)	192.0z	
Cotton Outlook'A' Index	78.90	-0.05
Wooltops (64s Super)	393p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. w Jan x Dec y Nov/Dec z Dec/Jan ▼ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. † Based on 4,416 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,236 Set by DANTE



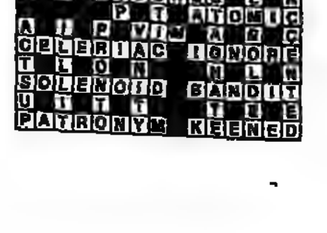
ACROSS

1 Small gate with a keeper in attendance (6)
4 Friendly note in a message (8)
9 He's stupid in trying to open it without a key (6)
10 Peacemaking counsel is put at risk (8)
12 So my acer tree has had to be transplanted (8)
13 Drunkenly chants a fragment of song (6)
15 Bar banter (4)
16 Went and gave a sinister description (4-6)
19 Memoranda about a stock of unsold books (10)
20 Love to knock back drink after work (4)
23 Defame a large number and get into a row (6)
25 Sikes's pet sweetmeat (5-3)
27 Common title for Satan? (8)
28 An even chance the matador will try to avoid (4-2)
29 Firm rule about the French salad (8)
30 Person who stoops to alcoholic excess? (6)

DOWN

1 Family house in Berkshire (7)
2 It comes from Mecca, this religious instruction (9)
3 Game in the form of a puzzle (6)
5 Where the workers may strike to make less money? (4)
6 When cutting, it drives round the links (5-3)
7 His beliefs remain unchanged by a large part of the bible (5)
8 Had tree replaced, safe from lightning (7)
11 Quaker's companions? (7)
14 The rest of the foot in the cavalry (7)
17 Urge to go into action, though dispirited (9)
18 He made himself a butt of criticism (8)
19 In a way, Marconi was of *Latin* descent (7)
21 Earring found on the railway (7)
22 A niche for a fellow about fifty (6)
24 Drinking place not far from home (5)
26 Novel *companion for Nelson* (4)

Solution 9,235



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● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
Fidelity Currency Funds Ltd						
Pembroke Hall, Pembroke, Bermuda						
A$ Accum			A$19.228		+0.003	5.40
ASch Accum			Sch249.39		+0.01	2.10
C$ Accum			C$18.744		+0.002	2.30
Dkr Accum			DK38.391		+0.002	1.90
DFl Accum			Dfl31.711		+0.001	1.80
ECU Accum			Ecu13.832		+0.001	3.00
FFr Accum			FFr67.150		+0.005	2.50
HK$ Accum			HK$121.75		+0.01	4.20
Lira Accum			L23773		+8	8.80
NZ$ Accum			NZ$40.225		+0.009	8.80
NKr Accum			NKr112.86		—	3.10
S$ Accum			S$28.893		+0.002	2.40
Pta Accum			Pta2751.2		+0.5	5.80
£ Accum			£13.180		+0.002	4.90
SKr Accum			SKr121.32		+0.01	8.50
SFr Accum			SFr20.402		—	0.50
US$ Accum			$23.816		+0.005	4.40
Yen Accum			Y2880.7		—	0.10

Prices for dealing November 26

Jupiter Tyndall (Bermuda) Ltd

	Selling Price	Buying Price	+ or -	Yield Gr's
Euroband	$16.80	17.44	+0.10	3.54
Money (3)	$14.28	14.99	—	2.92
Mortgage (4)	C$24.53	25.77	+0.10	7.12
North American	$14.57	15.31	-0.33	-
Overseas	$17.50	18.39	-0.32	-
Tiger	$17.07	17.93	-0.47	-
UK Small Cos	£1.35	1.43	+0.01	0.00

M & G (Guernsey) Ltd

	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
Island Global Fd	0	1812.7	1921.5	-1.1	0.8
Island Gold	0	4040.4	4282.4	—	0.157
(Accum. Units)	0	7721.4	8184.7	—	0.157
Island UK Fd	0	1029.8	1091.6	+1.5	3.39
(Accum Units)	0	2032	2093.8	+3.7	3.39

Prudential Fund Managers (Guernsey) Ltd

	Selling Price	Buying Price	+ or -	Yield Gr's
Managed Sterling	140.3	148.4	+0.4	4.87
Managed Dollar	143.3	14.30	-0.05	4.88
Dollar Deposit		10.03	—	3.76

Rothschild Asset Management (CI) Ltd

PO Box 242, St Peter Port, Guernsey 01481 7187423

[illegible]

BERMUDA (REGULATED)(**)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

LUXEMBOURG (SIB RECOGNISED)

	Init Chrge	Notes	Selling Price	Buying Price	+or -	Yield Gr's
ABN AMRO Funds (u)						
4 Rue Jean Monnet, L-2180 Luxembourg 352 424949320						
Latin America Equity			$48.37	48.10	-	-
North America Equity			$86.07	88.50	-	-
Asian Tigers Equity			$84.53	65.18	-	-
Europe Equity			$76.28	78.88	-	-
Germany Equity			[illegible]	140.26	-	-
Japan Equity			$49.24	48.73	-	-
Europe Bond			$61.72	61.87	-	-
US Bond			$59.90	59.95	-	-
Global Bond			$61.71	61.88	-	-
Germany Bond B			[illegible]	108.59	-	-
Spain Bond			[illegible]	101.81	-	-
Eastern Europe Equity F			[illegible]	180.88	-	-
China Equity F			$60.23	60.98	-	-
Switzerland Equity			[illegible]	128.99	-	-
Abtrust Fund Mngrs Luxembourg SA (u)						
4 Boulevard Royal L 2449 Luxembourg 00 352 227001						
Abtrust Atlas Fund						
Global Cap Portfolio			$3.924		+0.013	-
United States Portfolio			$5.816		+0.072	-
Contl Europe Portfolio	0		DM6.543		+0.052	-
Japan Portfolio			$9.581		-0.003	-
Pacific Portfolio			$6.672		+0.007	-
Gold Portfolio			$6.282		-0.094	-
UK Growth of Income			£2.116		+0.010	3.61
Dollar Portfolio			$1.8920		-	7.03
Sterling Portfolio			£1.0568		+0.002	6.30

	Init Chrge	Notes	Selling Price	Buying Price	+or -	Yield Gr's
Fidelity Funds - Contd.						
Country Select Funds						
ASEAN			$20.36		+0.05	-
Asian Special Situations			$11.33		+0.06	-
Australia			A$17.11		+0.13	1.25
Emerging Markets			$8.425		+0.003	-
European Sml Cos F			DM14.31		+0.12	-
France			FFr89.08		+0.85	-
Germany			DM22.08		+0.24	-
Hong Kong			$54.68		+0.64	0.53
Iberia			Pta1888		+12	-
Indonesia			$11.03		+0.12	-
Italy			L14038		-53	-
Japan Smllr Cos			Y1022		+7	-
Korea F	0		$7.558		-0.197	-
Latin America			$8.463		-0.072	0.54
Malaysia			$33.38		+0.21	-
Nordic			SKr188.0		+0.8	-
Singapore			$26.43		+0.08	-
Switzerland			SFr15.45		+0.06	-
Thailand			$28.57		-0.08	-
United Kingdom			£1.160		+0.007	-
Bond Funds						
European			Ecu11.24		+0.01	8.02
International			$7.059		-0.006	5.27
US Dollar			$5.708		+0.002	6.85
Sterling			£6.953		+0.001	7.07
Yen			Y1069		+1	2.22
Balanced						
European Balanced			DM13.01		+0.08	1.92
Prices as at November 25						
Fleming Group (u)						
6 Route De Treves L-2633 Senningerberg Luxembourg 00 352 34101 or 0800 960 284						

	Init Chrge	Notes	Selling Price	Buying Price	+or -	Yield Gr's
Mercury Asset Management S.A. - Contd.						
Global Equity			$71.27	78.03	+0.33	0.00
Emerging Markets			$11.78	12.41	+0.03	0.00
Gold & Mining			$10.14	10.69	-0.19	0.00
Australian & New Zealand			$25.81	27.18	-0.15	0.00
Eastern European			[illegible]	41.41	+0.06	0.00
European			$41.48	43.68	-0.27	0.00
Japan			$21.31	22.44	+0.09	0.00
Latin American			$9.18	9.67	-0.05	0.00
North American			$45.54	47.94	+0.45	0.00
Pacific			$20.24	21.32	+0.06	0.00
Singapore & Malaysian			$31.58	33.26	+0.24	0.00
United Kingdom			£42.12	44.35	-0.13	0.00
Asian Opps			$27.43	28.89	+0.12	0.00
European Opps			$34.23	36.04	-0.16	0.00
Global Opps			$11.20	11.78	+0.01	0.00
Japan Opps			$18.08	18.99	-0.03	0.00
North American Opps			$42.07	44.30	+0.27	0.00
United Kingdom Opps			£18.76	19.76	+0.06	0.00
DM Reserve			DM112.89	112.70	+0.03	0.00
Dollar Reserve			$108.21	108.22	+0.01	0.00
Sterling Reserve			£116.47	116.48	+0.06	0.00
Swiss Franc Reserve			[illegible]	107.94	-0.02	0.00
Mercury Offshore Stlg Tst-SICAV (u)						
Global			£1.7793	1.882	+0.019	0.30
Overseas			£1.900	2.012	+0.010	0.00
European			£2.330	2.465	+0.007	0.02
Japan			£0.864	0.916	+0.005	0.00
North American			£2.527	2.675	+0.025	0.00
Pacific			£2.267	2.400	+0.018	0.03
United Kingdom			£1.9354	2.050	+0.015	1.31
Reserve			£0.8734	0.919	+0.001	7.67
Midland Intl Circuit Fund SICAV(u)						
Midland Bank Fund Managers (Jersey) Ltd						

	Selling Price	Buying Price	+or -	Yield Gross
Aetna International Umbrella Fund - Contd.				
Specialist Funds				
American Smaller Cos	$7.20			
Emerging Asia	$5.72			
Emerging Europe	$9.83			
Latin American	$4.34			
UK Smaller Cos	£8.95			
Bond Funds				
Australian $ Bond	A$5.19			
Canadian $ Bond	C$6.18			
Deutschemark Bond	DM5.03			
Mngd European Bd	$5.92			
Sterling Bond	£5.52			
US Dollar Bond	$5.38			
Yen Bond	Y562			
Reserve Funds				
Deutschemark Res	DM1.08			
Sterling Reserve	£1.00			
US Dollar Res	$1.08			
Yen Reserve	Y100.00			
Prices quoted are 'A' shares				
Alliance Capital				
Growth Funds				
Intl Healthcare A Nov 25	$83.80			
Intl Healthcare B Nov 25	$80.84			
Intl Healthcare A1 * Nov 25	$84.42			
Intl Healthcare B1 * Nov 25	$81.13			
Intl Technology 1 Nov 25	$70.10			
Intl Technology A Nov 25	$68.44			
Intl Technology B Nov 25	$68.58			
American A Nov 25	$18.60			
American B Nov 25	$18.18			
American C2 Nov 25	$18.18			
Asian Technology A	$9.69			

OFFSHORE INSURANCES

LUXEMBOURG (REGULATED)(**)

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

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Old Mutual International (Guernsey) Ltd

PO Box 121, St. Peter Port Guernsey 01481 726726

	Selling Price	Buying Price	+ or -	Yield Gross
£ Stg Managed	£4.480	4.834	—	—
£ European Stockmkt	£5.125	5.512	—	—
£ UK Stockmkt	£5.109	5.492	—	—
£ Sterling Special Mkt	£4.684	5.049	—	—
£ UK Fixed Interest	£4.835	5.199	—	—
£ Stg Money Mkt	£2.978	3.203	—	—
£ Capital Guarantee	£1.719	1.848	—	—
$ Dollar Managed	$3.413	3.670	—	—
$ Intl Stockmkt	$4.388	4.718	—	—
$ US Dollar Bond	$1.402	1.507	—	—
$ Nth Am Stockmkt	$3.813	4.100	—	—
$ Japan Stockmkt	$1.647	1.771	—	—
$ Pacific Stockmkt	$5.442	5.851	—	—
$ Emerging Asia Stockmkt	$2.325	2.500	—	—
$ Hong Kong Stockmkt	$7.819	8.408	—	—
$ Intl Fixed Interest	$3.865	4.156	—	—
$ Intl Mngd Currency	$2.459	2.644	—	—
$ Dollar Money Mkt	$2.273	2.444	—	—
$ Latin American Stockmkt	$0.939	1.009	—	—
$ Dollar Special Mkt	$1.071	1.152	—	—
$ Emerging Market Bond	$1.797	1.207	—	—
$ Emerging Stockmarkets	$0.854	0.918	—	—
G'teed Futures1 Sep '98		$1.829	—	—
G'teed Futures2 May '99		$1.585	—	—
G'teed Futures3 Sep '99		$1.639	—	—
G'teed Futures4 Dec 2000		$1.703	—	—
G'teed Futures5 Dec 2001		$0.799	—	—
Guaranteed 105 Futures Snap		$1.167	—	—
Swiss Franc Managed	SFr7.080	7.624	—	—
Swiss Franc Money Mkt	SFr1.295	1.394	—	—
Convertible	SFr1.045	1.125	—	—
DEM Deutschemark Mgd	DM2.695	2.898	—	—
$ Secure Shield Index	$0.924	1.006	—	—
£ Secure Shield Index	$0.945	1.017	—	—
Broker Managed Funds				
£ GFS Global Port	£1.307	1.459	—	—
£ YRA Worldwide	£1.347	1.449	—	—
$ YRA Dlr Worldwide	$1.547	1.663	—	—
Young & Co Bond P'folio	$1.308	1.407	—	—
Pioneer Mid Term App	$1.164	1.252	—	—
Pioneer Long Term Cons	$1.138	1.224	—	—
Pioneer Long Term Agg	$0.891	0.958	—	—
HFP Selective Mgd	$1.126	1.211	—	—

Old Mutual International (Ireland) Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
Emerging Markets Bond	$1.319	1.418	—	—
US$ Emerging Stockmarket	$0.858	0.923	—	—
US$ European Stockmarket	$1.230	1.322	—	—

AXA Asset Management

	Selling Price	Buying Price	+ or -	Yield Gross
AXA Valeurs	FFr171.14		—	—
AXA Court Terme Capital	FFr130.79		—	—
AXA Europe Actions	FFr294.99		—	—
AXA NPI	FFr123.00		—	—

Acciones y Valores de Mexico SA de CV

	Selling Price	Buying Price	+ or -	Yield Gross
Accival Nov 22	Pesos61.36		—	6.25

Africa Emerging Markets Fund

	Selling Price	Buying Price	+ or -	Yield Gross
NAV Nov 6	$12.44		—	—

Agribusiness Fund Management Co

	Selling Price	Buying Price	+ or -	Yield Gross
ABC Bond	$10.09		—	—
Citrust	$1.09		—	—

Alliance Capital

	Selling Price	Buying Price	+ or -	Yield Gross
International	$18.06	18.98		—
International Class B	$17.17			—
Quasar	$27.65	29.09		—
Quasar Class B	$25.89			—
Global Small Cap	$12.58	13.14		—
Global Small Cap Class B	$11.92			—

Allied Dunbar International Fund Mngrs (1600)F

	Selling Price	Buying Price	+ or -	Yield Gross
ADI Emerging Asia	$0.7021	0.7305		

Alsteia Capital Management Ltd

Alsteia Growth Fund and Unit Trust

	Selling Price	Buying Price	+ or -	Yield Gross
Class A	$98.24	99.21	—	—
Class B	$98.24	99.21	—	—

Alpha Fund Management Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
Alpha Europe Oct 31	Ecu295.02		—	—
Alpha Futures Oct 31	$247.85		—	—
Alpha Global Oct 31	$1010.40		—	—
Alpha Asian Oct 31	$109.28		—	—
Alpha Hedge Class A Oct 31	$647.98		—	—
Alpha Hedge Class B Oct 31	$135.80		—	—
Alpha Hedge Class C Oct 31	$141.55		—	—
Alpha Latin Am Oct 31	$408.72		—	—
Alpha Pacific Oct 31	$335.12		—	—
Alpha Short Oct 31	$47.61		—	—
Alpha Tiltdale Oct 31	$218.09		—	—
A Worldinvest Oct 31	$190.87		—	—

Global Asset Management

	Selling Price	Buying Price	+ or -	Yield Gross
GAM Trading US$	$214.83		—	—
GAM Tyche	$473.04		—	—
GAM U.S.	$325.93		—	—
GAM Universal US$	$182.86		—	—
GAM Worldwide	$640.85		—	—
GAMerica	$323.86		—	—
GAMut Investments	$1143.66		—	—
GSAM Composite	$401.58		—	—
GSAM CHF Composite	SFr104.40		—	—
GSAM DM Composite	DM125.09		—	—
GSAM Money Mkt US$	$102.06		+0.03	4.79
Do Sterling	£102.10		+0.01	6.28
Do Swiss Franc	SFr100.40		—	0.88
Do Deutschmark	DM100.80		+0.01	2.10
GSAM Oracle	$174.65		—	—

Jardine Fleming Unit Trusts Ltd

Asia Pacific Funds

	Selling Price	Buying Price	+ or -	Yield Gross
JF Asean Trust	$69.07	69.80	+0.81	—
JF Asia Emerging Markets Tst	$9.50	9.47	+0.09	—
JF Australia Tst	$7.81	8.26	+0.05	—
JF China Trust	$12.35	13.07	+0.49	—
JF Eastern Tst	$109.25	115.80	+0.86	—
JF Eastern Smaller Cos	$40.20	42.54	+0.35	—
JF Hong Kong Tst	$20.10	21.28	+0.91	—
JF Japan Trust	Y11489	12156	+40	—
JF Japan OTC Tst	Y1231	1303	-7	—
JF Japan Small Co	Y39766	42071	-80	—
JF Japan Tech Tst	Y30949	32742	+236	—
JF Korea Trust	$7.39	7.89	-0.17	—
JF Malaysia Tst	$33.34	35.26	+0.91	—

	Selling Price	Buying Price	+ or -	Yield Gross

Global Asset Management - Contd.

GAM Strategic

	Selling Price	Buying Price	+ or -	Yield Gross
Diversity Strategic A	124.92		—	—
Diversity Strategic B	121.69		—	—
European Strategic A	124.34		—	—
European Strategic B	119.62		—	—
Trading Strategic A	122.69		—	—
Trading Strategic B	120.90		—	—
Developing Mkts Strategic A	113.74		—	—
Developing Mkts Strategic B	114.90		—	—

Jardine Fleming Unit Trusts Ltd - Contd.

	Selling Price	Buying Price	+ or -	Yield Gross
JF New Zealand Tst	$19.96	21.15	-0.09	—
JF Nomura Asia Tst		$16.25		—
JF Pacific Inc Tst	$18.09	18.61	+0.15	—
JF Pacific Smllr Cos Tst	$7.85	8.31	+0.02	—
JF Pacific Secs Tst	$55.41	58.63	+0.90	—
JF Pakistan Trust	$3.30	3.60	+0.04	—
JF Philippine Tst	$107.94	114.18	-0.22	—
JF Taiwan Trust	$11.92	12.62	+0.20	—
JF Thailand Tst	$34.44	36.44	-0.05	—
JF India	$19.06	20.17	+0.18	—
JF Indonesia Trust	$10.81	11.45	+0.01	—

The Brazilian Prosperity Fund

	Selling Price	Buying Price	+ or -	Yield Gross
A Shares	$12.35		—	—
B Shares	$12.04		—	—

Worldwide Limited

	Selling Price	Buying Price	+ or -	Yield Gross
NAV Oct 31	$76.19		—	—

Xiphias International Investment Fd Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
Xiphias Global Growth	$10.49		—	—
Xiphias Int ECU Acc	Ecu1.4767		—	—

Zenett Lombardier Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
NAV Oct 31	$209.64		—	—

Zuiderl Investment Management AG

	Selling Price	Buying Price	+ or -	Yield Gross
European Focus Nov 22	DM121.887		—	—

Zweig-DiMenna International Limited

	Selling Price	Buying Price	+ or -	Yield Gross
NAV Oct 31	$15618		—	—

OTHER OFFSHORE FUNDS

● MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses.
Prices of certain older insurance linked plans subject to capital gains tax on sales.
(*) Funds not SIB recognised. The regulatory authorities for these funds are:
Bermuda - Bermuda Monetary Authority
Guernsey - Financial Services Commission
Ireland - Central Bank of Ireland
Isle of Man - Financial Supervision Commission
Jersey - Financial Services Department
Luxembourg - Institut Monetaire Luxembourgeois.
Initial charge - Charge made on sale of units.
Selling price - Bid or redemption price.
Buying price - Offer or issue price.
Time - The time shown alongside the fund manager's name is the time of the fund's valuation point unless indicated by one of the following symbols:

(*) 0001 to 1100 hours
(‡) 1101 to 1400 hours
(▲) 1401 to 1700 hours
(#) 1701 to midnight
E Exit charge on sale of units.
C Manager's periodic charge deducted from capital.
H Historic pricing F - Forward pricing
h Distribution free of UK taxes.
p Periodic premium insurance plans.
s Single premium insurance.
● Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities).
x Offered price includes all expenses except agent's commission.
y Previous day's price.
§§ Guernsey gross.
◆ Yield before Jersey tax.
† Ex-subdivision. xd - Ex-dividend.
‡ Only available to charitable bodies
◆ Yield column shows annualised rates of NAV increase.

The fund prices published in this edition are also available at the Financial Times' web site, [illegible]

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

[illegible]

BANKS, MERCHANT

[illegible]

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CHEMICALS - Cont.

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Cont.

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

FOOD PRODUCERS - Cont.

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

HOUSEHOLD GOODS - Cont.

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PAPER, PACKAGING & PRINTING - Cont.

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, FOOD - Cont.

RETAILERS, GENERAL

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Barlow		[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gold Flds Prop R		[illegible]		170	120	[illegible]	[illegible]	10.5
MK Props		[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	–
SASOL	♥	[illegible]		710	480	[illegible]	1.8	–
SA Brews		[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Standard Bank		[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	20.5
Tiger Oats		[illegible]		[illegible]	770	[illegible]	[illegible]	[illegible]
Tongaat-Hulett		[illegible]	−7½	[illegible]	[illegible]	[illegible]	2.4	[illegible]

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculation are based on IMR Headline Earnings/formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-95.
N Dividend is paid in whole or part as a
FID (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion

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For readers phoning from outside UK, please dial +44 in place of the first 0.
The share prices printed on these pages are also available on the internet at http://www.FT.com.

LONDON STOCK EXCHANGE

Dow reversal cuts earlier gains in shares

MARKETS REPORT

By Steve Thompson, UK Stock Market Editor

There were *no real shocks or surprises* for the stock market in the Budget. "It was pretty much a non-event for us," said the head of marketmaking at one big UK securities house.

"London's performance tomorrow will hinge on what Wall Street does tonight, rather than on the Budget measures, the majority of which came as no surprise," he continued.

Wall Street was the prime motivation behind London's topsy-turvy performance yesterday, which saw the FTSE 100 index come within 6 points of breaking through the 4,100 level, before reversing rapidly in mid-Budget, as the Dow saw an initial big gain replaced by hefty losses.

At the close of what began as a frantic trading session, Footsie ended with a 13.8 gain at 4,058.4, just 0.2 above the session low and a far cry from its early Wall Street-inspired jump.

"If Wall Street drops 100 points, then we'll be under big pressure. Otherwise we should be able to consolidate and thereafter move on upwards," the marketmaker said.

Mr Philip Isherwood, UK strategist at Kleinwort Benson, said he expected shares to move ahead this morning if Wall Street performed *steadily*.

The FTSE 250 index had a more sedate day than Footsie, closing a modest 1.1 up at 4,423.4, well off its session high – 4,431.0 – while the FTSE SmallCap ended 1.5 firmer at 2,167.7.

Mr Richard Jeffrey, group chief economist at Charterhouse Tilney, the stockbroker, took a more cautious line: "In providing a significant stimulus to consumer spending, this will refocus attention on interest rates; it's unavoidable, interest rates will have to rise further before the election and towards 8.5 per cent after an election."

The Budget proposals were concentrated on the usual targets: tobacco, some drinks, petrol, diesel as well as road tax, but most of the damage had already been factored into the affected areas.

The big increase in taxation on "alcopops" had been widely anticipated but hit Bass and Merrydown. Imperial, the tobacco company, was sold after the big rise in duty on tobacco products.

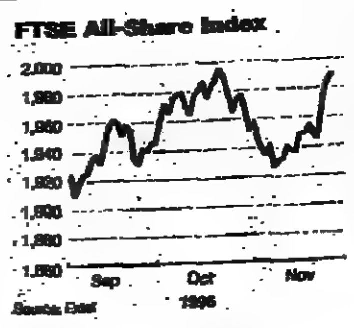
Holiday companies like Airtours and First Choice were mildly affected by the increase in airport taxes, as were insurance companies by the increase in insurance tax to 4 per cent.

Earlier, the stock market had enjoyed another buying spree by the institutions ahead of the Budget and as the Dow sailed through the 6,500 level.

Footsie kicked off yesterday in vibrant form, and as the chancellor rose to speak, the index was around 32 points higher at 4,088.6. London was helped by an initial rise on Wall Street, but quickly began to tail off, as the Dow reversed and gilts fell away.

Turnover at the 6pm reading was 808.4m shares, boosted significantly by a large number of bed and breakfast deals which were thought to have accounted for around 10 per cent of overall volume. Customer business on Monday was a lowly £1.1bn.

FTSE All-Share Index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover

Indices and ratios

FTSE 100	4058.4	+13.8
FTSE 250	4423.4	+1.1
FTSE 350	2017.7	+5.5
FTSE All-Share	1988.83	+5.11
FTSE All-Share yield	3.77	3.78
FT 30	2833.0	+4.4
FTSE Non-Fins p/e	18.08	18.05
FTSE 100 Fut Dec	4086.0	+17.0
10 yr Gilt yield	7.40	7.42
Long gilt/equity yld ratio	2.02	2.01

Best performing sectors

1 Other Financial +2.0
2 Banks: Merchant +1.8
3 Oil Exploration +1.5
4 Insurance +1.4
5 Life Assurance +1.2

Worst performing sectors

1 Gas Distribution −1.8
2 Electricity −0.9
3 Extractive Inds −0.9
4 Textiles & Apparel −0.8
5 Retailers: General −0.7

Bid talk returns to EMI

By Peter John, Lisa Wood and Joel Kibazo

Talk of consolidation within the global media industry moved back on to the agenda yesterday with a 'For Sale' sign being hung over EMI.

Analysts have for some time considered EMI as the target of choice for Seagram, the former drinks conglomerate which has refocused on music and entertainment.

Yesterday Seagram's MCA arm sold its consumer books business to Pearson for $336m and at the same time stressed its commitment to music and entertainment.

One analyst said: "Seagram will need a lot more than $336m to pick up EMI but the deal is a sign that it is tidying up the ship for a big move."

Any offer for EMI would probably be in the 1650p-a-share range. Yesterday the shares lifted 26 to 1360½p. Pearson, which owns the Financial Times, fell 2½ to 747½p.

Few people thought it would happen but, when Shell Transport came out and said it was not going to buy British Gas, the latter fell anyway.

Mr Cor Herkstroter, the chairman of Royal Dutch Shell, told Dutch journalists: "We are looking at many opportunities for takeovers but not at British Gas." Gas was more than 10 off at one stage but ended 4¼ lower at 231p. Shell Transport gained 4½ to 1001p.

Prospects of a revaluation for Lasmo and Enterprise gained credence yesterday after Saga Petroleum of Norway confirmed it was in talks about buying Santa Fe, the North Sea exploration company. A high price from Saga would have an impact on the other exploration and production companies. Lasmo lifted 5½ to 223p and Enterprise 11 to 588½p.

Dixons was the main casualty in the retail sector, falling 20 to 550½p as the market struggled over the implications of the imposition of VAT on extended warranties on electrical goods.

One analyst said he believed the government was concerned that some companies offering warranties were rolling up some of the cost of the product into the warranty, thus paying less VAT. In future it appeared that retailers offering warranties would pay full VAT on the whole package although insurance companies offering warranties would pay the Budget tax increase.

Leading insurers experienced volatile trading as a sharp rise on the back of overall market gains was overturned in late trading by the Budget tax increase.

With equity prices moving up strongly in the US and UK, investors were turning to financial stocks as a highly geared way into the market.

But, late in the day, the chancellor announced an increase in the tax on insurance premiums and the gains were sharply eroded. Commercial Union, which had been up 39p on revived takeover speculation that cited Societe Generale, saw its rise more than halved when it closed 18 up at 675p. Guardian Royal Exchange closed a net 13¾ up at 276½p, after 279½p and Legal & General 8 better at 362½p, after 368½p.

The substantial increase in duty on "alcopops" adversely affected Bass, producer of Hooper's Hooch, the best selling alcoholic lemonade in the UK, where total sales of the tipple, said to appeal to under-age drinkers, are worth more than £300m a year.

Bass slipped 4 to 810½p, with analysts speculating that the change in duty, which will add about 8p to the price of a bottle, could cost it in excess of £3m. Merrydown, which markets Two Dogs, another leading alcopops brand, fell 1½ to 98½p.

The freeze on beer duty had been widely anticipated by the market.

Beneficiaries of the 26p a bottle reduction in duty on spirits included those distillers which are the most dependant on the UK market. These included Highland Distilleries, which rose 2 to 333½. Guinness hardened 1½ to 458½p and Grand Metropolitan rose 2 to 470½p.

A broker's bullish circular on conglomerate BTR helped the shares harden 1¼ to 239p in solid volume of 24m.

NatWest Securities yesterday advised clients to buy the stock and also said it sees a target share price in excess of 300p. The broker acknowledges the market does not yet believe BTR's *core activities can generate* a return in excess of the cost of capital.

However, the team at NatWest take a contrary view: "The core businesses have generated returns in excess of the cost of capital and BTR is continuing to invest in businesses where the incremental return exceeds cost."

Turning to the likely performance of the stock, analysts at NatWest Securities suggest, "near term performance is likely to be dull, but with a target price in excess of 300p and the balance of risk favouring the upside, the shares have long-term attractions."

Glaxo Wellcome and *SmithKline Beecham gained* after strong performances in their ADRs in New York on Monday and positive analyst comment. Glaxo rose 16 to 1019p and SmithKline Beecham 5 to 779p.

HSBC bounced 34 to 1299½p after a sharp rise in the Hang Seng index in Hong Kong, where half its shares are owned. The Hong Kong rise also helped Standard Chartered gain 7 to 675½p with further encouragement from a BZW buy note.

In transports, the continued closure of passenger services at Eurotunnel, the channel tunnel operator, kept the stock under pressure and the shares surrendered another 5¼ to 75½p, making it one of the worst performers in the FTSE 250 index.

French analysts said that, as well as the cost of repairing last week's fire damage, the possible three month delay in the return to full services could cost the company a lot in terms of lost revenue and compensation payments to train operators.

Sentiment was further weakened by news that SNCF, the French railway operator, is considering ways to seek compensation for lost revenue and that it has suspended payment of its annual usage charge to Eurotunnel.

The company is to hold a press conference today at its Paris office.

The doubling of passenger duty tax – to be introduced next year – affected a number of holiday companies including Airtours which fell 14 to 668½p.

USM-quoted ML Laboratories shed 27½ to 217½p. The shares have fallen almost 20 per cent since the company announced full-year profits on Monday.

FT 30 INDEX

	Nov 26	Nov 25	Nov 22	Nov 21	Nov 20	Yr ago	*High	*Low
FT 30	2833.0	2828.6	2810.5	2775.0	2784.9	2676.1	2865.2	2668.8
Ord. div. yield	4.01	4.02	4.05	4.11	4.09	4.03	4.22	3.76
P/E ratio net	17.21	17.14	17.04	16.79	16.84	15.84	17.48	15.80
P/E ratio nil	17.05	16.98	16.88	16.63	16.68	15.75	17.30	15.71

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	4089.0	4098.0	+32.0	4110.0	4077.0	14199	55647
Mar	4113.5	4118.0	+32.0	4128.0	4104.0	310	6849
Jun	4130.5	4136.0	+32.0	4130.5	4130.0	52	1783

FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	4485.0	4496.0	+1.0	4496.0	4435.0	175	4211

FTSE 100 INDEX OPTION (LIFFE) (*4081) £10 per full index point

EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996 High	1996 Low	Stock	Close price p
90	F.P.	15.1	107½	100½	†Access Plus	107½
3	F.P.	8.15	4¼	4	†Beaufort	4¼
§3	F.P.	7.55	4¼	4	†Beechcroft	4
§157	F.P.	38.2	180½	170½	Brands Hatch	179½
§130	F.P.	37.0	162½	130	Brit Aircroft	157½
§135	F.P.	50.9	174½	152½	Charles Taylor	174½
160	F.P.	10.2	164½	155½	†Deep Sea Leisure	162½
§275	F.P.	87.0	298½	272½	Druid Grp	[illegible]
§92	F.P.	9.26	97½	97½	Exeter Inv	97½
§	F.P.	31.5	610	582½	First Russian C	[illegible]
100	F.P.	91.5	119½	81½	†Geo Inter Med	91½
-	F.P.	86.5	138	117½	Granchester	123½
§100	F.P.	24.5	99½	97½	Hithcare Reform	[illegible]

† Alternative Investment Market.

FT GOLD MINES INDEX

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Nov 26	Day's chge%
FTSE 100	4058.4	+0.3
FTSE 250	4423.4	—
FTSE 250 ex IT	4460.4	—
FTSE 350	2017.7	+0.3
FTSE 350 Higher Yield	1932.4	+0.6
FTSE 350 Lower Yield	2110.5	—
FTSE SmallCap	2167.73	+0.1

FTSE Actuaries Industry Sectors

Hourly movements

FTSE 350 Industry baskets

TRADING VOLUME

Major Stocks Yesterday

FTSE INTERNATIONAL

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Nov 26 / Sch)

BELGIUM/LUXEMBOURG (Nov 26 / Frs.)

CZECH REP (Nov 26 / Korunas)

DENMARK (Nov 26 / Kr)

FINLAND (Nov 26 / Mkka)

FRANCE (Nov 26 / Frs.)

GERMANY (Nov 26 / Dm.)

GREECE (Nov 26 / Drachma)

ITALY (Nov 26 / Lira)

NETHERLANDS (Nov 26 / Fls.)

NORWAY (Nov 26 / Kroner)

POLAND (Nov 26 / Zloty)

PORTUGAL (Nov 26 / Escudo)

SPAIN (Nov 26 / Pta.)

SWEDEN (Nov 26 / Kronor)

SWITZERLAND (Nov 26 / Frs.)

TURKEY (Nov 26 / TL Lira)

PACIFIC

JAPAN (Nov 26 / Yen)

HONG KONG (Nov 26 / H.K.$)

INDONESIA (Nov 26 / Rupiah)

MALAYSIA (Nov 26 / MYR)

NEW ZEALAND (Nov 26 / NZ $)

SINGAPORE (Nov 26 / S$)

AUSTRALIA (Nov 26 / Aust$)

SOUTH KOREA (Nov 26 / Won)

TAIWAN (Nov 26 / TW $)

THAILAND (Nov 26 / Baht)

NORTH AMERICA

CANADA

TORONTO (Nov 26 / Can $)

4 pm close

MONTREAL (Nov 26 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (Nov 26 / Rand)

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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INDICES

	Nov 26	Nov 25	Nov 22	1996 High	1996 Low
Argentina					
General(29/12/77)	(u) 17699.96	17704.87	18681.95 20/5		15597.28 22/8
Australia					
All Ordinaries(1/1/80)	2382.0	2394.7	2383.4	2394.70 25/11	2098.10 17/7
All Mining(1/1/80)	933.2	950.4	947.2	1138.40 8/5	921.30 12/11
Austria					
Credit Aktien(30/12/84)	371.97	371.59	371.00	394.99 31/5	349.19 6/9
Traded Index(2/1/91)	1102.39	1100.85	1097.86	1142.61 29/5	976.27 2/1
Belgium					
BEL20(1/1/91)	1890.70	1871.91	1865.21	1890.70 26/11	1574.88 2/1
Brazil					
Bovespa(29/12/83)	(u) 66492.0	66453.0	67800.00 21/10		40801.80 2/1
Canada					
Metals Mins♦(1975)	(u) 5476.17	5496.05	5924.80 8/5		4667.47 16/1
Composite♦(1975)	(u) 5952.41	5917.80	6008.10 20/11		4739.70 15/1
Portfolio§§(4/1/83)	(u) 2970.74	2960.80	2976.74 25/11		2327.30 12/1
Chile					
IPSA Gen♥(31/12/80)	(u) 5195.44	5211.10	5804.38 8/1		5071.28 18/11
Denmark					
CopenhagenSE(3/1/83)	455.96	452.85	450.92	455.96 26/11	388.48 2/1
Finland					
HEX General(28/12/90)	2398.84	2405.42	2402.14	2405.42 25/11	1861.67 10/1
France					
SBF 250(31/12/90)	1526.31	1526.96	1512.70	1526.96 25/11	1250.18 2/1
CAC 40(31/12/87)	2275.06	2277.14	2255.47	2277.14 25/11	1897.85 11/1
Germany					
FAZ Aktien(31/12/58)	871.70	867.42	868.77	871.70 26/11	818.58 2/1
Commerzbank(1/12/53)	2844.50	2826.60	2801.1	2844.50 26/11	2376.10 2/1
DAX(30/12/87)	2810.64	2799.19	2783.89	2810.64 26/11	2284.86 2/1
Greece					
Athens SE(31/12/80)	911.96	909.03	906.02	1017.88 4/3	872.88 7/8
Hong Kong					
Hang Seng(31/7/64)	13485.33	13239.38	13118.79	13485.33 26/11	10204.87 2/1
India					
BSE Sens.(1978)	2949.44	2904.98	2965.68	4069.28 18/6	2869.06 25/1
Indonesia					
Jakarta Comp.(10/8/82)	626.22	628.23	612.86	630.21 24/4	512.48 2/1
Ireland					
ISEQ Overall(4/1/88)	2647.02	2635.21	2633.67	2760.84 4/10	2084.61 3/1
Italy					
Banca Comm. Ital(1972)	658.98	658.35	657.05	674.10 20/5	572.21 27/3
MIB General(2/1/86)	1118.0	1116.0	1115.0	1142.88 20/5	970.08 27/3
Japan					
Nikkei 225(16/5/49)	21418.25	21293.57	21216.11	22666.80 26/6	19734.70 13/3
Nikkei 300(1/10/82)	299.37	297.90	296.53	319.70 26/6	284.48 11/3
Topix(4/1/68)	1584.79	1576.47	1573.56	1722.13 26/6	1504.22 13/3
2nd Section(4/1/68)	1993.15	1998.17	1995.10	2291.48 2/7	1982.78 14/3
Malaysia					
KLSE Comp.(4/4/86)	1234.73	1225.62	1217.96	1234.73 26/11	988.18 2/1
Mexico					
IPC(Nov 1978)	(u) 3249.85	3268.29	3433.29 27/8		2738.38 8/3
Netherland					
CBS TRtn Gen(End 83)	721.80	718.5	710.7	721.80 26/11	580.50 2/1
CBS All Shr(End 83)	423.80	421.7	417.1	423.80 26/11	336.70 2/1
New Zealand					
Cap. 40(1/7/86)	2356.29	2358.17	2352.13	2387.78 21/10	2023.34 7/8
Norway					
Oslo SE Ind(2/1/83)	1582.33	1584.53	1585.74	1605.34 22/11	1290.88 30/1
Philippines					
Manila Comp(2/1/85)	3074.28	3104.46	3102.36	3374.40 5/7	2578.97 2/1
Portugal					
BVL 30(4/1/93)	2078.28	2078.00	2074.87	2082.34 18/11	1802.81 2/1
Singapore					
SES All-S'pore(2/4/75)	540.73	540.41	538.84	618.37 5/2	500.78 21/10
South Africa					
JSE Gold(28/9/78)	1572.9♥	1621.3	1600.5	2030.40 29/5	1346.40 2/1
JSE Ind.(28/9/78)	8015.4♥	7955.1	7932.0	8738.30 25/1	7308.40 21/8
South Korea					
KoreaCompEx*(4/1/80)	715.97	716.45	731.44	986.84 7/5	715.97 26/11
Spain					
Madrid SE(30/12/85)	395.49	397.43	394.20	398.49 25/11	323.75 11/1
Sweden					
AffarsvarldenGen(1/2/37)	2255.8	2255.2	2230.0	2255.20 25/11	1708.80 22/1
Switzerland					
Swiss Bk Ind(31/12/58)	1828.99	1830.71	1830.03	1848.85 15/11	1516.19 17/1
SBC General(1/4/87)	1303.31	1307.52	1305.74	1308.87 15/11	1114.47 26/1
Taiwan					
Weighted Pr.**(30/6/66)	6827.77	6836.87	6761.38	6836.87 25/11	4690.22 9/2
Thailand					
Bangkok SET(30/4/75)	958.14	987.77	970.30	1410.84 6/2	955.34 15/10
Turkey					
Istanbul Comp.(Jan 1986)	86936.0	86779.0	86903.7	88965.00 26/11	38778.30 2/1
WORLD					
MS Capital Intl(1/1/70)	836.0*	837.2	834.0	838.80 26/11	728.80 15/1
CROSS-BORDER					
Eurotrack 100(26/10/90)	1858.19	1853.87	1835.10	1858.19 26/11	1594.48 11/1
Euro Top-100(26/6/90)	1565.65	1568.13	1551.84	1568.65 26/11	1333.01 11/1
HSBC JC Drgn(31/12/88)	(u)	415.25	412.48	415.25 25/11	344.18 2/1
MS Emrgs Emg(7/1/92)	(u)	160.13	159.80	165.81 4/7	140.35 2/1

** Sat Nov 23: Taiwan Weighted Price 6842.18; Korea Comp Ex (c). Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 25 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. † IBIS/DAX after-hours index: Nov 26 – 2806.62 ... † Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day.

US INDICES

Dow Jones	Nov 25	Nov 22	Nov 21	1996 High	1996 Low	Since compilation High	Since compilation Low
Industrials	6547.79	6471.76	6418.47	6547.79 (25/11)	5032.94 (10/1)	6547.79 (25/11/96)	41.22 (8/7/32)
Home Bonds	104.11	103.76	104.02	108.08 (14/2)	100.98 (15/7)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	2299.75	2265.34	2250.90	2299.20 (22/5)	1882.71 (18/1)	2299.20 (22/5/96)	13.23 (8/7/32)
Utilities	238.12	235.40	234.49	238.12 (25/11)	204.80 (30/7)	256.40 (31/8/93)	10.50 (8/7/32)

DJ Ind. Day's high 6585.08 (6486.23) Low 6443.44 (6402.44) (Theoretical‡)
Day's high 6548.16 (6471.76) Low 6464.31 (6418.47) (Actual‡)

Standard and Poors	Nov 25	Nov 22	Nov 21	1996 High	1996 Low	Since compilation High	Since compilation Low
Composite‡	757.03	748.73	742.75	757.03 (25/11)	598.48 (10/1)	757.03 (25/11/96)	4.40 (1/6/32)
Industrials‡	885.90	878.54	871.74	885.90 (25/11)	702.07 (15/1)	885.90 (25/11/96)	3.52 (30/6/32)
Financial	84.82	82.87	81.88	84.82 (25/11)	58.07 (10/1)	84.82 (25/11/96)	7.13 (4/9/74)
NYSE Comp.	395.06	394.68	392.25	395.06 (25/11)	321.41 (10/1)	395.06 (25/11/96)	4.64 (25/4/42)
Amex Mkt Val	580.38	580.77	587.78	614.08 (22/5)	525.80 (16/7)	614.08 (22/5/96)	29.13 (9/12/74)
NASDAQ Comp	1280.37	1274.35	1256.08	1280.37 (25/11)	988.57 (15/1)	1280.37 (25/11/96)	54.87 (3/10/74)

■ RATIOS

	Nov 22	Nov 15	Nov 8	Year ago
Dow Jones Ind. Div. Yield	2.02	2.06	2.09	2.32
	Nov 20	Nov 13	Nov 6	Year ago
S & P Ind. Div. yield	1.84	1.87	1.89	2.30
S & P Ind. P/E ratio	22.99	22.84	23.58	19.08

■ NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Pepsico	6,460,400	29⅝	-⅛
Micron Tech	4,415,000	32¼	-⅛
Amer Online	4,644,200	32¾	+1⅝
AT & T	4,019,000	37¼	+⅛
CUC Intl	3,849,200	26¼	+1½
Ph Morris	3,612,400	105½	+3⅛
WalMart	3,214,400	25⅝	–
Panenergy	3,022,700	43¾	+1⅛
Exp Chile	2,925,800	17¼	-⅛
Fed Natl	2,911,800	39⅝	+⅞

■ TRADING ACTIVITY

● Volume (million)

	Nov 25	Nov 22	Nov 21
New York SE	478.354	526.208	486.701
Amex	26.824	25.296	22.017
NASDAQ	639.906	668.406	588.136
NYSE			
Issues Traded	3,336	3,310	3,302
Rises	1,625	1,511	1,200
Falls	881	959	1,203
Unchanged	830	840	899
New Highs	359	284	200
New Lows	17	22	35

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
■ CAC-40 (200 x Index)							
Nov	2266.0	2275.0	-2.0	2286.0	2269.5	13,004	20,779
Dec	2269.0	2278.0	-2.0	2289.0	2274.0	4,928	22,055
■ DAX							
Dec	2824.0	2813.5	+7.5	2828.0	2812.0	21,793	–
Mar	2843.0	2833.0	+8.0	2847.5	2833.0	324	–
■ OMX							
Dec	1822.00	1785.25	-19.75	1824.00	1785.25	5,414	26,863
Jan	1823.50	1814.75	-1.25	1823.50	1814.75	1,550	2,479
■ SOFFEX							
Dec	3900.0	3877.0	-12.5	3906.0	3866.0	3,091	21,335
Jan	3899.0	3881.0	-26.0	3894.0	3876.0	38	1,864

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
■ S&P 500							
Dec	759.70	759.70	-0.25	762.25	759.40	77,809	194,750
Mar	768.30	767.00	–	769.20	767.80	6,999	26,745

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
■ Nikkei 225							
Dec	21420.0	21360.0	+60.0	21450.0	21280.0	39,284	221,896
Mar	21480.0	21390.0	+60.0	21480.0	21330.0	14,797	61,737

Open interest figures for previous day.

■ TOKYO - MOST ACTIVE STOCKS: Tuesday, November 26, 1996

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Mitsubishi Hvy	13.9m	846	+15	Toyota Motor	6.8m	3060	
Nippon Steel Cp	9.1m	356	+7	Sumitomo Mtl Ind	5.7m	320	+3
Honda Motor	7.4m	3300	+100	Matsushita E Ind	4.8m	1980	+30
Ricoh Co	7.0m	1250	+50	Fujikura	4.5m	987	+14
NEC Corp	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

4 pm close November 26

NEW YORK STOCK EXCHANGE PRICES

1996 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
31¼	17¾	AAR	0.48	1.6	27	799	29⅞	29½	29¾	+⅛
46⅛	33	AMP	1.00	2.6	18	14774	38⅛	37½	37⅞	+½
97½	68	AMR			18	4780	93⅞	90⅝	90¾	-1⅞
50½	37⅞	ASA x	1.40	3.7	25	940	38⅛	d37⅞	38⅛	+⅛
57⅞	38⅛	AbbtL	0.96	1.7	24	13007	u57⅞	56⅛	56¾	-⅞
17¼	12¼	Abitibi Pr	0.40	2.7	7	314	15⅛	14⅞	15	-⅛
20¼	13½	ABM Ind	0.35	2.1	17	150	17⅛	16⅝	17	+⅜
22½	13⅞	Acplncaln			10	808	20⅞	20¼	20⅜	-¼
60	37¾	ACE Ltd	0.56	1.0	13	1381	58⅛	56⅞	57¼	-1
10⅜	9⅛	ACM Gvt In	0.90	8.6	8	197	u10⅜	10⅛	10¼	+⅛
7⅞	6⅝	ACM GvOpp	0.57	7.9		220	7⅜	7¼	7¼	
9⅞	8⅜	ACM Gcar	0.90	9.2		368	u9⅞	9⅝	9¾	
13⅞	6⅛	Acme Elect	0.32	4.5	54	67	7¼	7⅛	7⅛	-⅛
20⅝	13⅞	Acme Mills			14	158	d20⅝	20⅛	20⅛	-⅛
33¾	27¾	Acordia	0.80	2.6	15	45	30⅜	30¼	30⅜	-⅛
24¾	12	Acuson			104	507	22¾	21⅛	22	-⅞
21⅛	17⅞	Adams Expr x	0.55	2.8	1	497	20	19¾	19⅞	
25¾	10¼	AdvMic			25	9088	24⅞	24⅛	24¾	
11⅛	8½	Advest Grp	0.16	1.5	7	244	10½	10⅜	10⅜	
26½	9⅛	Advo Inc	0.10	0.8	95	32	12⅜	12¾	12⅞	-⅛

Continued on next page

4 pm close November 26

NYSE PRICES

Continued from previous page

1996 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
73 1/8	50 1/2	SchPl	1.32	1.8	23	5709	72 7/8	71 5/8	72 1/8	-1/8
108 1/4	65 7/8	Schlmb	1.50	1.4	33	8067	107 7/8	103 5/8	103 7/8	-4 1/4
14 1/2	8 1/4	Schlr	0.12	1.3	5	501	9 1/2	9 1/4	9 1/4	-1/8
32 1/4	18 5/8	Schwab(C)	0.18	0.6	24	4442	31	29 3/4	30	-1/8
33 5/8	22 3/4	SchMed	0.60	1.9	16	504	32 1/8	31 5/8	32 1/8	+1/8
20 3/8	12	SciAtl	0.06	0.4	66	2088	15 3/8	14 3/4	15 1/8	+1/4
24 3/4	17	Scotsman	0.10	0.4	12	42	23 1/4	23	23 1/4	+1/8
18 1/8	12 5/8	ScudNAsF	0.02	0.2		949	13 1/4	13	13 1/8	
14 3/4	11	ScudNEuF	0.16	1.1		193	d14 1/4	14 1/8	14 1/8	-1/8
20 3/4	14 1/4	SeaCntA	0.77	4.9	23	278	16	15 3/4	15 5/8	-1/4
16	15	SeaC1.A525	1.46	9.5		21	15 3/8	15 1/4	15 3/8	
78 7/8	36 1/4	S'gate			39	11827	78	75 3/4	77 3/4	+1 1/2
41	30 7/8	Seagrm	0.61	1.5	28	4028	u41	40 1/2	41	+5/8
26	17 1/8	Seagull En	1.20	5.1	56	2482	23 7/8	23 5/8	23 3/4	-1/4
44 1/8	26	Sealed Air	0.64	1.5	26	1451	43 3/4	41 1/2	41 1/2	-5/8
53 7/8	38 1/4	SearsR x	0.92	1.9	18	13841	49 5/8	48 3/4	49	-1/8
20 5/8	17	ScCpSB	1.24	6.1	14	1053	20 3/8	20 1/4	20 3/8	+1/8
13	11 7/8	Seligm Sel x	0.84	6.7		76	12 1/2	12 3/8	12 1/2	+1/8
23 3/4	13 5/8	Sensormat	0.22	1.1	13	1751	20 1/2	20 1/4	20 3/8	
49 1/2	29 1/2	SequaA	0.60	1.4	49	76	41 3/4	40 3/4	41 3/4	+7/8
53 5/8	30	SequaB	0.50	1.0	53	6	51	51	51	
31 3/4	19 1/2	ServCp	0.24	0.8	28	3863	30 3/4	30	30 1/8	-1/8
28 5/8	19 1/2	ShMdr	0.68	2.7	15	195	25 5/8	25 3/8	25 3/8	-1/4
8 1/4	4 3/8	ServMerch			13	1951	5 3/4	5 1/2	5 1/2	-1/4
67 1/4	28 1/2	SGSThm			13	1596	64 5/8	62	64 1/4	-1/4
15 5/8	10 5/8	Shaw Ind x	0.30	2.6	30	1985	11 7/8	11 3/4	11 3/4	

1996 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
30 3/4	27 7/8	Telmex	0.91	3.0	12	15175	30 1/4	29 1/2	30	+3/8
54 1/8	39 7/8	Templnl x	1.28	2.4	16	870	53 7/8	52 1/2	52 7/8	-1
21 7/8	16 7/8	TemplEmMk	0.32	1.7		323	19 3/4	19 1/4	19 3/8	-1/8
7 3/4	6 7/8	TemplGlob x	0.60	8.4		68	7 1/4	7 1/8	7 1/8	-1/8
7 1/2	6 3/4	TemplGIFd x	0.60	8.3		744	7 3/8	7 1/4	7 1/4	
23 1/4	18 1/8	TenetHlth			14	10540	22 5/8	22 1/8	22 1/4	-1/8
59 1/2	45 3/4	Tenneco x	1.80	3.5	9	5190	52 5/8	51 1/2	51 1/2	+1/2
41 3/4	34 3/8	Teppco Pts	3.00	7.2	11	20	u41 3/4	41 1/2	41 5/8	+1/8
27 7/8	11 1/2	Teradyne			14	11986	24 1/4	23 3/8	24	-1/8
9 3/8	4 1/8	Terex	0.06	0.7	27	189	8 3/4	8 1/4	8 3/4	+1/2
15	11	Terra x	0.15	1.0	8	1470	u15	14 3/4	14 7/8	
15 1/2	8	Tesoro	0.40	2.7	8	1372	14 7/8	14	14 5/8	+1/2
107	75 1/2	Texaco	3.40	3.4	21	12812	102 1/2	98 7/8	100 7/8	-1 1/8
69 1/4	50 1/4	Texas Ind	0.40	0.7	7	465	58 3/4	56 5/8	56 1/4	-1/2
61 3/8	40 1/2	TxInst	0.68	1.1	30	55902	u61 3/8	58 5/8	60 7/8	+4 3/8
32 1/2	25 5/8	Texas Pac	0.40	1.5	25	39	27 5/8	27 1/2	27 1/2	-1/2
43 3/4	38 1/2	TxUtil x	2.10	5.3	11	7033	40 1/2	39 3/4	39 3/4	-1/2
3 3/8	2 1/4	Texfi Inds	1.10	48.3	7	190	2 1/2	2 3/8	2 3/8	
97 3/4	69 1/8	Textron	1.76	1.8	32	1619	u97 3/4	95 1/2	95 7/8	+3/8
5 1/2	2 1/4	Thackeray			28	z100	2 5/8	2 5/8	2 5/8	
17	11 1/4	Thai Cap	1.80	16.0		815	11 5/8	d11 1/4	11 1/4	-1/2
27 3/4	18 1/2	Thai Fund	0.33	1.7		420	19 5/8	19	19	-1/4
44 3/4	30 1/2	ThermoElec	0.12	0.4	27	9724	36 1/8	35	35	-1
47 7/8	32 7/8	Thiokol x	0.68	1.5	13	788	45 3/4	44 1/2	45 3/4	+1/8
46 3/4	33 3/4	ThBet	1.10	2.4	20	4392	45 7/8	44 3/4	45 7/8	+3/4
23 7/8	16 3/4	Thomas Ind	0.40	2.0	13	123	19 7/8	19 3/4	19 3/4	-1/8
25 7/8	21 1/2	3COCom			73	4465	23 3/4	23 1/4	23 5/8	-1/4

- T -

- U -

- V -

- W -

- X - Y - Z -

1996 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
28 7/8	21 1/8	Zenith Nat	1.00	3.7	35	87	27	26 7/8	27	+1/8
7 1/4	6 1/2	Zenix Inc x	0.75	10.2		447	7 1/8	7 1/8	7 1/8	
22 7/8	15 3/4	Zero	0.12	0.6	18	104	20	19 1/2	19 5/8	-1/8
29	18 1/2	Zurn Ind	0.40	1.4	31	80	u29	28 5/8	28 7/8	
11 7/8	10 1/2	Zweig Fund	1.08	9.8		215	11	10 7/8	11	+1/8
9	8 1/8	Zweig Tot	0.84	9.9		465	8 1/2	8 3/8	8 1/2	

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1996. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sl-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
♣ Dealings suspended.

NASDAQ NATIONAL MARKET

2:30 pm November 26

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

- T -

- U -

- V -

- W -

- X - Y - Z -

AMEX PRICES

4 pm close November 26

US shares surrender early gains

AMERICAS

US shares fluctuated wildly as momentum from Monday's rally was cut short by a bout of profit-taking, amid worries about the continuing strength of corporate earnings, *writes Lisa Bransten in New York.*

The Dow Jones Industrial Average swung through more than 92 points in the first two hours of trading, first climbing nearly 42 points and then falling back sharply. By noon the blue chip average was 23.85 weaker at 6,523.94.

The more broadly traded Standard & Poor's 500 was *also volatile, rising more* than 5 points and then falling back to a loss of 1.87 at 755.16 by midday. NYSE volume was heavy at 285m shares.

Equities began the day stronger and then jumped after IBM, a component of the Dow and a leader in the *recent post-election rally,* announced that its board had approved the repurchase of an additional $3.5bn worth of shares. IBM shares shot up $3¾ but almost as quickly began to fall back. By late morning they were $¼ lower at $157⅞.

Technology shares were *also weaker in the wake of* strong gains in the sector. The Nasdaq composite, which is weighted toward technology, was off *7.97 at 1,272.40 and the Pacific Stock* Exchange technology index lost 0.8 per cent.

Meanwhile, Texas Instruments jumped $3⅝ or 7 per cent to $80⅝ on news that it had signed a 10-year licensing agreement with Korea's Samsung Electronics that was expected to create royalty payments of more than $1bn.

A report from the Conference Board, showing that consumer confidence about future conditions was waning, lifted bonds but added to concerns that corporate profit growth might slow, hurting cyclical shares. The Morgan Stanley index of cyclical companies lost 0.9 per cent while the counterpart index of consumer goods companies, generally seen as safe havens in times of economic slowing, added 0.2 per cent.

Mr Thomas McManus, an equity strategist at Morgan Stanley, did not think that investors had priced a slowing economy into the value of cyclical shares.

Gains in Disney, which climbed $1⅛ to $75⅝, helped support the Dow. Early yesterday, the media giant announced earnings that were better than analysts expected.

TORONTO edged lower in a morning session dominated by Wall Street's volatility. At noon, the 300 composite index was off 0.32 at 5,862.09.

Solid gains among transport shares and for leading financials helped underpin early gains, but the dull trend in the US finally pulled shares lower.

Alcan Aluminium dipped 30 cents to C$47.10 and Northern Telecom came off 25 cents to C$94.75. Seagram gained 65 cents to C$54.80.

Mexico City halts slide

Bargain hunting by domestic and foreign investors brought *to a close a run of* seven consecutive weak sessions in **MEXICO CITY** and also helped Mexican ADRs, traded on Wall Street. The IPC index picked up 23.79 to 3,270.44 at midsession as Telmex L shares rose 12 cents to 11.84 pesos and the ADRs rose $⅝ to $30 in New York.

SAO PAULO edged back as discussions began on a re-election amendment, which would give President Fernando Henrique Cardoso the chance of a second term in office. The Bovespa index was 41 weaker at 66,451 as investors also awaited news on the privatisation of the mining giant, Companhia Vale do Rio Doce. Trade in Banespa was suspended after a press report that the Sao Paulo state bank had made a net profit of R$786.3m in the first nine months of the year.

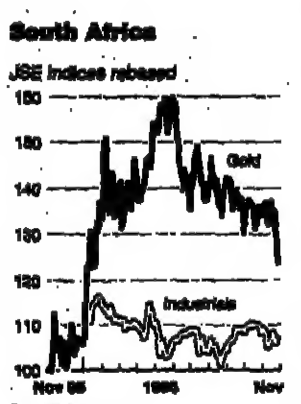
S Africa golds pressured

Golds fell to a 10 month low in Johannesburg, but industrial shares rode to the rescue and at the close of trade the overall index was up 30.0 at 6,271.3.

Golds stayed firmly on the downside with further weakness for the bullion price causing a severe shakeout for the sector. Dries fell R2.50 to R53.50 and at the close the golds index was off 48.4 at 1,572.9.

In contrast, there was a significant bounce for industrial shares. The half-year results from Anglo American were better than expected, and brokers said that there had been aggressive futures driven buying across the board.

Leading industrials were heavily in demand. Anglo American put on R1.25 to R257.25 and Absa gained 75 cents to R23.90.



De Beers ended R2.25 better at R138.

By the end of the session the industrial index, *which* staged slight gains on Monday in the face of sliding golds, finished 60.3 higher at 8,015.4.

Frankfurt leads clutch of continental highs

EUROPE

Strength in the dollar and the domestic bond market gave **FRANKFURT** the extra pace that it needed. Skimming over the failure of regional wage talks in the engineering industry, and transatlantic *volatility* on Wall Street, the Dax index led a clutch of continental *all-time highs as it rose* 8.10 to an Ibis-indicated 2,808.62.

The key index ended at its low for the day against a high of 2,821.95. However, the dollar continued to lift exporters. BASF led chemicals with a rise of 75 pfg at *DM54.80,* and *BMW led the* big three carmakers, as it rose DM15.60 to DM981.10. In steelmakers, Preussag put on DM8.65 at DM367.65.

The construction sector was more mixed. Deutsche Morgan Grenfell increased its loss per share forecast for the ailing Philipp Holzmann *to DM31.10 from DM13.60 for* 1996, and from DM1.30 to DM57.20 for 1997. Holzmann shares dropped DM19 or 4.9 per cent to DM366 while *Bilfinger & Berger, 4 per cent* down on Monday, recovered DM1.50 or 2.8 per cent to DM56.

AMSTERDAM hit a *further record high, riding on* the back of another strong day for international stocks, notably Philips which surged more than 5 per cent.

There was good two-way volume in selected stocks and at the end of the session the AEX index had gained 0.61 per cent, rising 3.83 to 627.10.

Philips was heavily in *demand after Morgan Stanley* raised it to outperform in New York. It rose Fl 3.30 to Fl 69.20. PolyGram, the electronics giant's music offshoot, *slipped Fl 1.50 to Fl 84.*

Unilever advanced Fl 7.70 or 2.65 per cent to Fl 298.60 and Royal Dutch by Fl 2.40 to Fl 292.70.

News of a higher rival bid for Standard Federal Bank of the US, which late last week agreed a $1.9bn takeover from ABN Amro, sent the *Dutch banking group* sharply lower.

Charter One, an Ohio-based savings bank, put in the better offer. Investors worried that ABN would be forced to step up its own bid, and the shares slipped Fl 1.90 to Fl 110.20.

Fortis Amev added 30 cents to Fl 56.80 ahead of tomorrow's nine-month results statement.

Among the other record breakers, *MADRID* slowed as the Dow slipped in the late European afternoon, the *general index closing* 1.06 higher at 398.49. **COPENHAGEN** was the Nordic survivor, the KFX index climbing 1.30 to 131.49, although *dealers foresaw profit taking* and modest falls in the days ahead.

BRUSSELS seemed tied to the Dow and the dollar as it *peaked with the Bel-20 index* 8.79 higher at 1,880.7. The fifth all-time high was in an unusually tentative **ISTANBUL**, which left the compos*ite index just* 255.16 or 0.3 per cent better at 88,335.02.

PARIS ended modestly lower at the end of a mixed session of narrow and hesi*tant trading as worries* about industrial action undermined the franc.

At the close, the CAC 40 was off 2.06 at 2,275.08, mostly held in check by a clear wobble of the franc against the D-Mark as the French truck drivers strike clocked up its ninth day.

Eurotunnel plunged more than 7 per cent for the second day running, falling 55 centimes *to FFr6.45* in volume of 7.5m as trading concerns hardened and insurers counted the cost of the recent fire.

Alcatel-Alsthom moved FFr8 lower to FFr462.10 after hints from the company that *it would be prepared to bid* anew for the Thomson group should the chance arise.

At the other end of the day's performance charts, Carrefour put on FFr87 to a new high of FFr3,180 as shares in the supermarket *leader responded to brokers'* buy recommendations.

Cerus jumped FFr2.90 to FFr123 after news that the De Benedetti holding com*pany planned to sell its* stake in the Spanish group, Cofir.

ZURICH was subdued by a 3.2 per cent fall in UBS after the bank announced a restructuring which would result in a net loss of SFr500m this year, after an extraordinary one-off charge of about SFr3bn.

UBS bearers fell SFr41 to SFr1,229 as high hopes for positive news from UBS failed to materialise. Other weak financials took their lead from UBS, although Swiss Re added SFr7 to SFr1,449 ahead of today's dividend payout.

The broad market was easier, with the *SMI index* down 13.3 to 3,878.4. Against the trend, Nestlé rose SFr9 to SFr1,407 and SMH, the watchmaker, picked up *SFr11 to SFr827, both* responding to strength in the dollar.

MILAN was weak following a decline in domestic bonds and the lira, *on concerns about the prime minister's legal problems.* The Comit index eased 0.39 to 658.96 while the real-time *Mibtel* index turned back from a high of 10,580 to close 68 weaker at 10,434.

Gemina, the financial holding group, *rose L24.7 or 3.2 per cent to L795 ahead of* tomorrow's shareholders meeting *to approve the* spin-off of its industrial, clothing and editorial holdings *into a new company,* HPI. Gemina, however, denied market talk that it would seek a separate listing for its GFT subsidiary.

Olivetti fell L10 to L554.4 on news that Cerus, the French holding company of its former chairman, Mr Carlo de Benedetti was to sell its stake in Spain's Cofir, through a *private international placement.*

STOCKHOLM took profits, and trimmed banks and insurance shares after the government took issue with Monday's proposed merger between the insurance company, Skandia, and mortgage institute, Stadshypotek.

Skandia and Stadshypotek both dropped SKr8, or just over 4 per cent to SKr189 and SKr195, with the respective sector indices down by 2.9 and 1.5 per cent.

The Affärsvärlden General index broke its uptrend with a fall of 19.4 to 2,285.8. Profit-taking left Ericsson Bs down SKr4 at SKr204.

Written and edited by William Cochrane, Michael Morgan and Jeffrey Brown

FTSE Actuaries Share Indices

Nov 26						THE EUROPEAN SERIES		
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Eurotrack100	1860.38	1858.74	1858.56	1866.09	1868.19	1860.16	1868.23	1868.19
FTSE Eurotrack200	1913.71	1912.89	1912.80	1910.51	1911.54	1913.59	1912.71	1915.56
	Nov 25	Nov 22	Nov 21	Nov 20	Nov 19			
FTSE Eurotrack 100	1853.87	1836.10	1827.09	1828.66	1824.80			
FTSE Eurotrack 200	1902.73	1883.92	1870.87	1869.15	1869.65			

Base value 1000 (26/10/90). High/day: 100 - 1881.08; 200 - 1915.56 Low/day: 100 - 1858.89 200 - 1909.02. † Partial.
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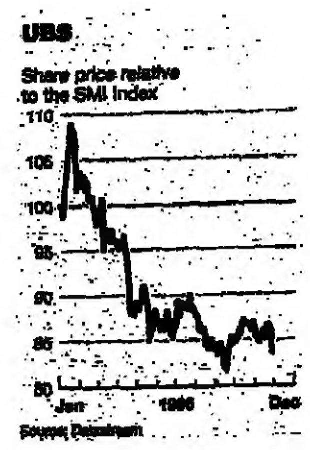


Hong Kong extends record run in high turnover

ASIA PACIFIC

A surge in banking shares, which saw rotational buying after their recent weakness, added to a continued bullish tone in the property sector and propelled **HONG KONG** to another record close.

The Hang Seng index rose 245.94 to 13,485.33, off an intra-day peak of 13,495.38 in turnover of HK$13.1bn, its highest level since January 5 1994.

HSBC Holdings rose HK$5 to HK$163 and Hang Seng Bank jumped HK$4.25 to HK$95.50. *Among property* stocks, Hysan rose 70 cents to HK$30, New World Development advanced HK$2.10 to HK$51.50 and Henderson Land rose HK$1.00 to HK$78.25.

TOKYO extended its gains to a third consecutive day, towed higher by Wall Street, and by its own international blue chips, *writes Our Markets Staff.*

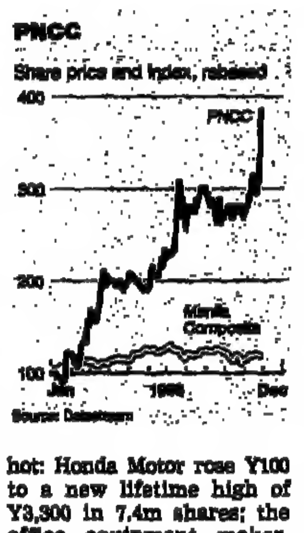
The Nikkei 225 average rose 124.68 to 21,418.25 after a day's high of 21,458.77, and a low of 21,254.44. Traders said that the gains were not linked to the Bank of Japan's tankan, or quarterly survey on business senti*ment, due early today.*

Turnover rose from 305m shares to 367m. Advances led declines by only 535 to 524, with 182 unchanged as broad *market gains were capped by* profit taking.

The Topix index of all first section stocks rose 6.32 to 1,584.79 and the Nikkei 300 by 1.57 to 299.37. In London, the ISE/Nikkei 50 index rose 1.13 to 1488.76.

Brokers said that the recent trend of selective investment in international blue chips was unlikely to change much because of the tankan data. NTT rose Y16,000 to Y830,000 and *Yamaha by Y130 to Y1,960* its earnings prospects.

With the dollar extending its renewed recovery against the yen, exporters stayed hot: Honda Motor rose Y100 to a new lifetime high of Y3,300 in 7.4m shares; the office equipment maker, Ricoh, hit a 1996 high as it closed Y50 higher at Y1,350; TDK leapt Y380 to Y7,550, and Sharp Y70 to Y1,830.



Bridgestone climbed Y40 to Y2,120, after Y2,150, although the Japanese tyre*maker and its Italian coun*terpart, Pirelli, both denied a rumour that Bridgestone would buy Pirelli-Armstrong, Pirelli SpA's US unit.

Among regional banks, there was more fallout from the Hanwa Bank closure, Tokuyo City Bank shedding another Y28 to Y191 on margin transaction-linked selling as well as worries over its financial health.

In Osaka, Bank of Kansai fell Y30 to Y610 as the OSE average put on 36.01 at 21,649.68.

SINGAPORE saw brisk demand for banks and small capitalisation stocks as foreign fund managers adjusted regional portfolios. The Straits Times Industrial index ended 14.19 higher at 2,219.88 in healthy volume of 196.5m shares.

KUALA LUMPUR's blue chips continued their foray *into high ground for 1996.* The composite index rose 9.11 to 1,234.73.

Banking stocks were invigorated by news of a M$2.2bn deal between the stockbroker, Rashid Hussain, and Maybank for Rashid's purchase of 75 per cent of Kwong Yik Bank.

SEOUL *slid to a 37 month* low, in spite of the government's plan to boost share buying by investment trusts.

Concern over worsening fundamentals left the composite index closed 0.48 lower at 715.97.

MANILA finished lower in thin trade and the composite index closed off 80.16 at 3,074.28. Concerted selling left Philippine National Bank 7.50 *pesos down at* 33.50. In contrast, Philippine National Construction rose 2.50 pesos, or 20 per cent to an all-time high of 15 pesos, boosted by upbeat contract news.

DHAKA suspended trading after demonstrators laid siege to the exchange, *writes Kamal Naji.* The demonstrators, mostly traders on the unofficial kerb market, accused exchange members of manipulating prices. Prices have *fallen for the past seven sessions, after months of sharp* rises that took the DSE index up from around 1,100 in September to 3,900 on November 18. Yesterday, the index tumbled 99.90 or 3 per cent to 3,217.67.

BOMBAY was weak after a session dominated by speculative trade which left the BSE-30 index down 46.54 at 2948.44. *ACC,* the country's largest cement maker, plunged 11.8 per cent to Rs1,020 in off-market kerb deals on news of a steep fall in first half net profits.

China's hard currency B indices took another roller-coaster ride.

SHENZHEN's B shares rose another 9.5 per cent at one stage, before profit-taking pulled the index back to close 1.70 higher on the day at 135.14. *SHANGHAI's* hard currency index picked up 1.104 to 53.765.

BANGKOK retreated for the second day running as political uncertainties continued to overshadow trading. The SET index finished 8.63 lower at 958.14.

"Until we see who is in the new cabinet, sentiment is going to remain on a knife-edge", said one broker. The cabinet is expected to be sworn in on December 1.

Krung Thai Bank was the most active stock, falling Bt1.50 to Bt77.50 and National Finance came off Bt1.50 to Bt65.

WELLINGTON closed higher, helped by Wall Street's strong overnight gains. The NZSE-40 capital index gained 17.12 to 2,356.29.

SYDNEY edged lower, depressed by the strength of the Australian dollar and gold price weakness. The All Ordinaries index ended off 12.7 at 2,382.0. The gold index was down 51.8 at 1,731.7.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS	MONDAY NOVEMBER 25 1996								FRIDAY NOVEMBER 22 1996					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (78)	223.36	0.6	197.96	158.84	176.41	183.09	0.6	4.16	222.28	196.01	156.28	173.60	182.07	223.36	183.80	183.80
Austria (24)	185.33	-0.8	164.26	131.79	146.38	146.31	0.3	1.95	186.79	164.71	131.32	145.88	145.82	195.04	168.36	171.53
Belgium (27)	226.96	-0.6	201.14	161.39	179.25	175.23	0.3	3.60	228.60	201.76	160.86	178.69	174.74	229.11	197.59	198.91
Brazil (28)	180.96	-0.1	160.38	128.69	142.92	343.29	-0.1	1.78	181.15	159.75	127.36	141.49	343.65	189.70	131.21	131.94
Canada (116)	194.74	0.4	172.69	138.48	153.61	169.13	0.5	1.81	193.97	171.05	136.38	151.50	168.10	194.74	144.35	146.44
Denmark (30)	339.27	-0.3	300.69	241.26	267.96	269.06	0.8	1.71	340.20	300.00	239.16	265.70	266.85	340.41	276.89	279.98
Finland (24)	239.60	-0.5	212.36	170.39	189.24	230.00	0.3	2.18	240.85	212.39	169.33	188.11	229.24	240.85	171.75	214.50
France (93)	212.37	0.0	188.22	151.02	167.73	171.30	0.9	2.85	212.41	187.32	149.34	165.90	169.70	212.41	167.70	182.33
Germany (58)	187.08	-0.1	165.81	133.04	147.76	147.76	1.0	1.65	187.36	165.23	131.73	146.34	146.34	188.59	159.82	159.65
Hong Kong (59)	503.52	0.6	446.26	358.06	397.68	499.84	0.6	3.10	500.07	441.51	352.00	391.03	497.00	503.52	362.78	362.78
Indonesia (27)	226.55	1.6	200.78	161.10	178.93	325.87	1.6	1.57	223.05	196.69	156.82	174.20	320.87	-	-	-
Ireland (16)	316.63	-0.6	280.64	225.18	250.09	266.63	0.0	3.43	318.70	281.04	224.07	248.91	266.70	319.32	249.80	256.47
Italy (58)	83.10	-1.2	73.66	59.09	65.63	93.36	-1.0	2.22	84.14	74.19	59.15	65.71	94.29	84.59	67.22	69.20
Japan (480)	142.31	-0.7	126.13	101.20	112.40	101.20	0.4	0.76	143.36	126.42	100.79	111.97	100.79	164.66	137.62	143.88
Malaysia (107)	603.60	0.6	534.96	429.23	476.73	586.82	0.6	1.07	600.31	529.37	422.05	468.85	582.27	603.60	445.00	445.00
Mexico (27)	1166.63	-1.9	1034.15	829.76	921.58	10103.34	-1.3	1.09	1189.75	1049.17	836.48	929.23	10238.07	1325.65	936.49	956.97
Netherland (19)	327.96	0.1	290.65	233.21	259.02	255.16	1.2	2.90	327.54	288.84	230.28	255.81	252.00	327.95	262.62	262.62
New Zealand (15)	91.97	-1.0	81.51	65.40	72.64	66.52	-0.7	4.02	92.94	81.95	65.34	72.59	69.04	94.35	75.94	79.00
Norway (35)	280.77	-1.0	248.84	199.66	221.76	243.95	0.1	2.07	283.54	250.04	199.35	221.45	243.63	283.54	222.24	229.11
Philippines (22)	196.02	0.1	173.73	139.39	154.82	256.52	0.1	0.62	195.73	172.60	137.61	152.87	256.29	-	-	-
Singapore (43)	419.55	0.3	371.84	298.35	331.38	270.93	0.4	0.99	418.11	368.71	293.96	326.55	269.81	465.21	371.28	371.42
South Africa (44)	323.71	-0.7	286.90	230.20	255.67	325.92	-0.7	2.40	325.82	287.32	229.07	254.47	328.30	437.76	314.20	371.24
Spain (37)	198.72	-0.1	176.12	141.31	156.95	192.36	0.9	3.11	198.95	175.44	139.88	155.38	190.55	198.95	157.68	160.06
Sweden (48)	416.67	0.2	369.29	296.31	329.09	410.07	0.7	2.08	415.66	366.54	292.24	324.64	407.22	416.67	294.19	321.99
Switzerland (37)	247.25	-1.1	219.13	175.82	195.28	196.63	0.2	1.51	249.95	220.42	175.73	195.22	198.32	254.34	218.29	230.31
Thailand (45)	121.49	-0.8	107.67	86.39	95.95	120.00	-0.6	2.86	122.44	107.97	86.08	95.63	120.78	193.95	112.17	153.56
United Kingdom (213)	272.30	0.3	241.33	193.64	215.06	241.33	0.8	3.94	271.47	239.40	190.86	212.03	239.40	272.30	222.43	227.77
USA (624)	307.64	1.1	272.66	218.77	242.98	307.64	1.1	1.95	304.25	268.30	213.90	237.62	304.25	307.64	243.34	245.90
Americas (795)	281.26	1.0	249.27	200.00	222.13	236.41	1.1	1.84	278.35	245.46	195.70	217.40	233.94	281.25	222.53	224.13
Europe (720)	234.32	-0.1	207.67	166.63	185.07	199.27	0.7	2.91	234.56	206.85	164.91	183.20	197.88	234.56	184.31	198.03
Nordic (137)	354.98	-0.1	314.61	252.43	280.37	306.21	0.6	2.04	355.21	313.23	249.73	277.42	304.40	355.21	261.13	264.48
Pacific Basin (876)	160.23	-0.5	142.01	113.94	126.55	115.12	0.4	1.22	160.96	141.94	113.17	125.72	114.82	177.01	153.87	153.87
Euro-Pacific (1596)	190.99	-0.3	169.27	135.81	150.84	146.64	0.6	2.09	191.51	168.88	134.65	149.58	146.00	191.51	172.18	172.18
North America (740)	300.90	1.1	266.69	213.98	237.66	299.95	1.1	1.94	297.69	262.51	209.30	232.50	296.63	300.90	237.56	238.88
Europe Ex. UK (507)	208.99	-0.3	185.22	148.62	165.06	173.72	0.6	2.30	209.70	184.92	147.43	163.78	172.82	209.70	174.81	177.67
Pacific Ex. Japan (396)	316.09	0.6	280.15	224.78	249.65	271.10	0.5	2.75	314.64	277.46	221.21	245.74	269.64	316.09	248.67	248.67
World Ex. US (1811)	192.97	-0.3	171.02	137.22	152.41	152.12	0.5	2.07	193.47	170.61	136.03	151.11	151.32	193.47	173.24	173.24
World Ex. UK (2222)	224.89	0.3	199.32	159.93	177.62	192.23	0.8	1.81	224.11	197.63	157.57	175.04	190.72	224.89	192.43	192.43
World Ex. Japan (1955)	274.66	0.6	243.43	195.32	216.93	257.63	0.9	2.32	273.01	240.75	191.94	213.23	255.38	274.66	224.22	224.22
The World Index (2435)	228.97	0.9	202.93	162.82	180.84	196.79	0.8	2.02	228.18	201.22	160.43	178.22	195.24	228.97	195.52	195.52

PLEASE NOTE: Amendments to indices 25/11/96 applied to Mexico, related regional indices and The World Index. CONSTITUENT CHANGE WITH EFFECT 27/11/96: Deletion: American Re Corp (USA). Latest prices were unavailable for this edition.